

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Strengthening the Management of the AquaFund and the 2023-2026 Action Plan
▪ TC Number:	RG-T4250
▪ Team Leader/Members:	Machado, Kleber B. (INE/WSA) Team Leader; Basani, Marcello (INE/WSA) Alternate Team Leader; Barbosa Taves De Gouvea, Heleno (ORP/REM); Caicedo Sierra, Miguel Felipe (ORP/GCM); Carlos Guiza (INE/WSA); Celia Bedoya (INE/WSA); Claudia Prehn (INE/WSA); Greco, Maria Sofia (LEG/SGO); Leticia Ortega Oropeza (INE/WSA); Nunez Zelaya, Anamaria (KIC/URC)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	.
▪ Beneficiary:	Latin America and the Caribbean (LAC)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Infrastructure(W2B)
▪ IDB Funding Requested:	US\$300,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	May 2023
▪ Types of consultants:	Firms and Individuals
▪ Prepared by Unit:	INE/WSA-Water & Sanitation
▪ Unit of Disbursement Responsibility:	INE/WSA-Water & Sanitation
▪ TC included in Country Strategy (y/n):	n
▪ TC included in CPD (y/n):	n
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability; Gender equality; Diversity

II. Objectives and Justification of the TC

- 2.1 **Objective.** The main objective of this TC is to support the management of the AquaFund, evaluate the Fund, and design an action plan for the 2023-2026 period. Activities will include (i) an external evaluation of the Fund (ii) support of AquaFund operations for the inclusion of key areas in the Fund's portfolio, such as gender and diversity, climate change, and other flagship initiatives, and (iii) support Donor engagement activities.
- 2.2 **The AquaFund – AQF¹** has been the main non-reimbursable instrument of the IDB to support the implementation of its Water and Sanitation Sector Framework (GN-2781-13) and to help Governments of Latin America and the Caribbean Region (LAC) to achieve water and sanitation related Sustainable Development Goals (SDG) since its inception in 2008. The AquaFund (AQF) is comprised of the IDB's allocation

¹ Proposal for the establishment of the AquaFund ([GN-2487](#)).

of Resources to the Strategic Development Program financed with Ordinary Capital - OC SDP; Window 2 - Infrastructure (W2B)² to the Water and Sanitation Division and the Multi-Donor AquaFund (MAF).

- 2.3 **The MAF** is a partnership between the PepsiCo Foundation, the Swiss Cooperation through the Swiss State Secretariat for Economic Affairs (SECO) and SDC - Swiss Agency for Development and Cooperation, the Austrian Ministry of Finance, and the Spanish Agency for International Cooperation and Development (AECID). The first donor contribution came in 2010, and since then, donor contributions have increased significantly since then. The annual allocation of the Bank's OC funds allows the AquaFund to maintain a 1:2 ratio. That is, every 1 dollar the MAF spends is matched with 2 dollars from the Bank's OC
- 2.4 **Capitalization of the AquaFund.** The total capitalization of the AquaFund to date is US\$142.36 million, of which US\$49.6 million came from the MAF and US\$92.76 million³ from the IDB. Since its creation, the AquaFund has approved 297 operations totaling US\$127.12 million. On average, the annual approval of resources has been around US\$10.10 million, while disbursements have been US\$8.25 million for the 2009 – 2022 period. From 2018 to 2022. The AquaFund has supported, through technical cooperations (TC), the preparation and execution of US\$7.03 billion of IDB's investments in the water and sanitation sector in the Region⁴.
- 2.5 **Value added proposition of the AquaFund.** The AquaFund is a financing mechanism which: (i) through non-reimbursable TC, seeks to increase financing and impact of access to water, sanitation, and hygiene services (WASH services) by increasing financial flow to the sector;⁵ (ii) functions as an incubator of flagship initiatives;⁶ (ii) is flexible and allows for rapid response to client demands;⁷ and (iv) provides high visibility for Donors' and Bank interventions and results.
- 2.6 **AquaFund Outlook.** Current Donors' funds will last until 2024, having in account that commitments were renewed during 2020 and 2021. As the AquaFund evolves, also does the relationship with its partners, which includes new requirements for their engagement with the Fund and its portfolio. Donors are already planning and, in some cases, committing to new contributions, which will demand new actions and

² See for example for 2023, Resources to the Strategic Development Program financed with Ordinary Capital for Fiscal Year 2023 - OC SDP (GN-3137).

³ This amount includes IDB's OC contribution made to AQF for US\$63.52 million until 2016, to INF for US\$19.54 million until 2021, and to the Strategic Development Program financed with Ordinary Capital - OC SDP; Window 2 - Infrastructure (W2B) for US\$9.7 million to 2023.

⁴ 2018-2022 Annual Reports to Donors. Water and Sanitation Initiative. AquaFund (MAF).

⁵ One US\$ of the Bank brings: US\$0.5 from AQF Donors, US\$82 million of cofinancing from other partners (WHO, FEMSA), US\$53 million in cofinancing from Bank funds (Climate Funds, BPR, etc.), and supports the preparation and/or execution of US\$6,71 billion of loans (53% of portfolio)

⁶ Provides Essential Seed Grants for Special Initiatives that later become self-sustainable such as Water Funds, Latitud R, #Sin Desperdicio, Source of Innovation, Lazos de Agua, Optimal Sanitation, AquaRating. HydroBID and Waster Security including transboundary waters. To date, it has stimulated other Donors, public and private, to fund this initiatives and strategic lines of work, rising more than US\$75 million.

⁷ Such as WOP-LAC: Helping utilities adapt to change during Covid-19; Hand Peru: support to SEDAPAL for designing water provision alternatives for vulnerable populations during the pandemic; Water security: Impact of the lockdown in water quality; among others.

responsibilities from the AQF management team as regional needs, donor participation and priorities, and Bank's institutional strategy evolve and change. With resources from the TC RG-T2882 ([ATN/MA-15943-RG,ATN/OC-15942-RG,ATN/OC-17332-RG](#)), actions were executed to implement a mid-term evaluation of the Fund, which resulted in an evaluation report and an action plan executed until early 2022. With resources from the AquaFund, through the TC RG-T2225 ([ATN/OC-13497-RG](#)), actions were executed to support the development of the communications protocol of the AquaFund. Finally, with resources from the TC RG-T3471 ([ATN/OC-17593-RG](#)) long-term sustainability by strengthening its partner's engagement, developing a strong communication strategy for the Fund and its partners, and ensuring smooth execution of the agreed action plan until 2021 while developing alternatives for the Fund's business model after the end of that period.

- 2.7 **Previous Evaluations of the AquaFund.** In 2014, an external evaluation was conducted to assess the effectiveness of the activities funded with the contribution of the Government of Switzerland to the AquaFund. In 2018 all Donors requested an evaluation of the Fund, to assess the AquaFund overall performance and results from a sample of projects implemented during the period 2011-2016⁸, named as AquaFund mid-term evaluation. This evaluation was carried out in 2018-2019. The results of this evaluation served as an input for updating the current Action Plan to be implemented until 2021. These evaluations yielded valuable lessons and recommendations for their results served as input for replenishing the Fund with several contributions until 2025. They revealed relevant lessons learned and suggestions to improve the AquaFund's overall management, which have been applied since. An Action Plan was developed and agreed upon with Donors, including specific steps to strengthen the Fund's management, monitoring, and visibility, as well as Donor's engagement and coordination in priority countries, and alignment with their strategic priorities. As part of the continuous effort to maintain the relevance of the AquaFund, the IDB will carry out a new evaluation of the Fund to assess its effectiveness and its relevance to meet current sector challenges⁹ to meet the goals of the 2030 Agenda, and to provide input for both Donors and the Bank on how to maintain the AquaFund's relevance and impact as a thematic fund for the water and sanitation sector in the Region.
- 2.8 **Action Plan.** Most of the agreed action plan actions with Donors after the conclusion of the external evaluation carried out between 2018 and 2019 has been implemented: (i) Updated AquaFund RF: outcome indicators, baselines, and definitions were revised and modified in accordance with the new targets set under the updated RF for the period 2018-2021; and (ii) Visibility of the AquaFund: specific activities directed to the Fund partners were carried out at the 2019 and 2022 WWW in Stockholm, and a new communications protocol was finalized in 2019. The updated action plan 2023-2026 will continue to provide guidelines for the Fund's priorities in the upcoming years; specifically, this new TC will support the implementation of the action plan through

⁸ The scope of the evaluation covered the period 2011-2016. The earlier period (2008-2010) was not covered since the MAF was established in 2011 and the standardized objectives for the AquaFund (considering both financing sources OC and MAF) were defined from 2011.

⁹ Some of the most pressing sector challenges, outlined in the Water and Sanitation Sector Framework are: (i) water security and water resources management, (ii) climate change adaptation and mitigation, (iii) rural and peri-urban water and sanitation access, (iv) sanitation infrastructure, including solid waste management (v) service quality, (vi) financing, (vi) affordability, among others.

2026 as current Donors' commitments have been already negotiated. It will also incorporate new actions to further engage partners with the funded projects and related work to enhance its communications activities and a business model for the Fund to make it sustainable in the long term.

- 2.9 During 2023 and 2024, the management of the AquaFund will mainly focus on (i) an analysis of the Fund's contribution to climate change and approach to gender equality and diversity; (ii) the update of the AquaFund results framework (RF), which will be finalized in 2023 with a new set of indicators to monitor the impact of the Fund and to align with the Donors' priorities and the IDB's institutional priorities; (iii) the planned external evaluation of the Fund which is expected to result in an action plan to further improve the management of the Fund in the coming years, so that resources are allocated and used in the most effective manner and directed to the challenges of the Region; and (iv) in the strengthening of communication and dissemination actions. Through these strategic lines of action, the AquaFund will be able to improve its support, meet the Region's demand, and contribute to the IDB's efforts to guarantee universal, affordable, sustainable, and resilient access to water and sanitation.
- 2.10 **Strategic Alignment.** The TC is consistent with the Update to the Institutional Strategy (UIS) 2020-2023 (AB-3190-2) since this TC seeks to (i) promote technology and innovation in the delivery of water and sanitation infrastructure; and (ii) increase resource mobilization from key partners to LAC.¹⁰ The TC aligns with the strategic priorities of (i) social inclusion and equality, by supporting a Fund that promotes universal and sustainable access to water and sanitation services, with strong emphasis for vulnerable populations; and (ii) productivity and innovation by promoting knowledge exchange on innovative practices and by assisting a thematic fund that provides an innovative and sustainable financing mechanism that responds to the changing challenges of the Region. Further, the TC aligns with the cross-cutting areas of (i) climate change and environmental sustainability by supporting a Fund that promotes integrated water resource management that considers the impacts of climate change on water resources; (ii) gender equality, diversity, and inclusion, by promoting the inclusion of gender and People with Disabilities (PcD) in components and gender and PcD indicators in TC operations; and (iii) institutional capacity and rule of law by assisting a thematic fund that provides an innovative and sustainable financing mechanism that respond to the changing challenges of the region, and that contributes with knowledge dissemination and exchange on understanding and fostering best practices in the sector.
- 2.11 The TC is aligned with the strategy "Sustainable Infrastructure for Competitiveness and Inclusive Growth" in the priority areas for action of "Promote access to infrastructure services," "Promote continuous improvements in infrastructure governance," and "Support the construction and maintenance of infrastructure environmentally and socially sustainable." Additionally, the TC is consistent with the proposal for the allocation of Resources to the Strategic Development Program financed with Ordinary Capital for Fiscal Year 2023 - OC SDP (GN-3137) and with the Strategic Program for Development Financed with Ordinary Capital (GN-2819-14). Specifically with the objectives and activities of Window 2 - Infrastructure (W2B) being one of its objectives to improve the performance, quality, and sustainability of

¹⁰ Since its inception in 2008, the AquaFund has leveraged US\$37.18 million from its partner that have resulted in US\$5.8 billion of loans supported in the Region.

infrastructure services. This TC is also aligned with the Proposal for the establishment of the AquaFund (GN-2487), specifically, with section VII E Knowledge Dissemination and VII F, Promotion and Public Awareness.

III. Description of activities/components and budget

- 3.1 **Component 1: Evaluation of the AquaFund and Action Plan (US\$180,000).** This component aims to evaluate the performance (relevance, efficiency, knowledge) of AquaFund (AQF and MAF) regarding the objectives, management, and operation of the Fund during the period 2017-2022, as well as the implementation of the previous Action Plan, for the period 2019-2021. The results and recommendations of this evaluation will inform the development of the AquaFund Action Plan for the 2023-2027 period. The results of this evaluation could also guide the donor's new contributions to the Fund as well as an updated Action Plan for the 2024-2027 period.
- 3.2 Activities included in this component are: (i) a new strategic evaluation of the AquaFund to assess the overall performance and relevance of the Fund in the Region, synergies with the Bank and Donors' priorities, and the management of the Fund;¹¹ (ii) a new Action Plan for the AquaFund for the period 2023-2026 resulting from the evaluation and considering the Region's needs and Donors' interests in water and sanitation; (iii) an updated Results Framework (RF) for the Fund, including a new set of indicators to monitor the Fund's impact and align with the Donors' and the IDB's institutional priorities.
- 3.3 Outputs from this component will be: (i) a strategic evaluation carried out, (ii) an Action Plan for 2024-2027 developed, and (iii) an updated AquaFund results framework (RF) developed. These outputs will be shared with Donors.
- 3.4 **Component 2. Strengthening the engagement of partners in the AquaFund management and projects (US\$70,000).** This component aims to strengthen partnerships with AquaFund's Donors at the country level by promoting collaboration and knowledge sharing through joint workshops and assessments on specific technical areas agreed upon by the IDB, Donors, and partners, aiming to help build the agenda of the organizations in the countries¹². It also seeks to ensure that AquaFund's projects align with global efforts to address climate change and promote gender equality and diversity. Through these activities, the AquaFund aims to build a stronger agenda for organizations in the countries, foster sustainable development practices, and ensure that its projects are inclusive and equitable. To this aim, this component will finance (i) seminars and workshops in countries, (ii) development of key strategic documents highlighting AquaFund's impact in advancing both Donor's and Bank's institutional priorities, and (iii) participation of key technical personal and government officials in national and international conferences and workshops to learn, exchange knowledge, lessons learned, and results from AquaFund's activities, foster partnerships between Donors and countries and strengthen the collaboration between IDB and Donors throughout the AquaFund.
- 3.5 Outputs from this component will be: (i) seminars organized; and (ii) reports of AquaFund's contribution to specific topics developed, which will be disseminated through blogs or publications.

¹¹ For a list of all criteria to be evaluated, please refer to the TdR.

¹² Since its creation, the AquaFund has financed regional and country level operations. At the country level the AquaFund finances operations in 25 out of the 26 IDB member countries.

- 3.6 In the events that are going to be organized, the equal participation of women and men will be promoted, as well as for people from diversity groups (people with disabilities, indigenous peoples, Afro-descendants, and LGBTQ+). All outreach products will be written in non-sexist and inclusive language and will include images that give equal importance to genders and diversity groups.
- 3.7 **Component 3. Dissemination of results, and visibility (US\$50,000).** This component aims to enhance the visibility of the AquaFund and disseminate the results and lessons learned from its activities. This will be achieved by updating the communications protocol, developed in 2019 because of the previous evaluation (¶2.7), to include activities that focus on disseminating results and knowledge through reports, technical briefs, and social media. The AquaFund and its partners will also be present at regional sector events, and three dissemination campaigns for selected projects funded by the AquaFund will be implemented.
- 3.8 Additionally, three annual reports will be produced, and three policy dialogue workshops will be organized in regional and extra-regional events with donor participation, highlighting selected topics, results, and lessons learned from implementing AquaFund activities. The outputs of this component will contribute to promoting knowledge sharing among stakeholders and improving the AquaFund's visibility and effectiveness.
- 3.9 Outputs from this component will be: (i) an updated Communications Protocol, (ii) reports produced; (iii) presentation delivered in regional and extra regional events, with the participation of Donors, highlighting selected topics as well as results and lessons learned from the implementation of activities funded by the AquaFund; and (iv) dissemination campaigns for selected projects funded by the AquaFund implemented.
- 3.10 The data produced in these reports will be segregated by sex and by diversity groups (people with disabilities, indigenous peoples, Afro-descendants, and LGBTQ+), when applicable. In addition, the reports will be written using non-sexist and inclusive language and will include images that give equal importance to genders and diversity groups. Where applicable, emphasis will be placed on the report of the results that make visible the progress in reducing gender inequalities and diversity, promoted by AQF in the Region.
- 3.11 The cost of this TC is US\$300,000, which will be financed with resources from the OC SDP Window 2 – Sustainability (W2B). The funds will be used to finance the hiring of firms and individual consultants against the presentation of verifiable products, as well as the costs of mobilization expenses related to the performance of their functions and other non-consulting services. The detail of the costs is presented below.

Indicative Budget

Activity/Component	IDB/W2B	Total Funding
Component 1: Evaluation of the AquaFund	US\$180,000	US\$180,000
Component 2. Strengthening the engagement of partners into the AquaFund management and projects	US\$70,000	US\$70,000
Component 3. Communication, dissemination of results, and visibility actions	US\$50,000	US\$50,000
Total	US\$300,000.00	US\$300,000.00

IV. Executing agency and execution structure

- 4.1 Since this is a Research and Dissemination (RD) TC, this operation will be executed by the IDB, in accordance with OP-619-4 Annex 2. The water and sanitation division (INE/WSA), will be responsible for all aspects of this TC, including disbursements, under the supervision of a Lead Specialist at INE/WSA. Activities developed in any country in the Region will be coordinated with the respective INE/WSA specialist in Country Offices (COF); and, if necessary, with the liaison authority in the country and/or sector officials. The Bank has experience in successfully executing regional TCs of this type, such as [ATN/OC-13497-RG](#); [ATN/MA-15943-RG](#), [ATN/OC-15942-RG](#), [ATN/OC-17332-RG](#); and [ATN/OC-17593-RG](#), likewise, execution by the Bank helps to ensure that the lessons learned from the activities carried out are properly disseminated with Donors and clients.
- 4.2 The execution and disbursement period will be 30 and 36 months, respectively. The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with the Bank's current procurement policies and procedures for Bank-executed operations: the activities to be executed are included in the Procurement Plan and will be executed in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-28 for non-consulting and other related services.

V. Major issues

- 5.1 In terms of communication, a risk is that project specific communication strategies are not properly articulated to reflect the AquaFund overall communication protocol. Coordination with project leaders, KIC and the Fund's management team will help to mitigate this risk.
- 5.2 An additional risk is that the Fund's evaluation results might not satisfy Donors, and they could reconsider their participation in the AquaFund. To mitigate this risk, there is a continuous and close relation with all Donors' focal points, which has built trust and mutual understanding. This will facilitate an open dialogue on how to tackle any issues highlighted by the evaluation, to guarantee Donors an improvement in the management of the Fund. Nevertheless, this risk is low because there is a constant monitoring of the Fund, and so far, Donors have shared their overall satisfaction with the AquaFund.

VI. Exceptions to Bank policy

- 6.1 This TC does not involve any exceptions to the Bank's policies.

VII. Environmental and Social Strategy

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects, or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (MPAS).

Required Annexes:

[Results Matrix - RG-T4250](#)

[Terms of Reference - RG-T4250](#)

[Procurement Plan - RG-T4250](#)