

**Inter-American Development Bank
Technical Cooperation Program
Plan of Operations**

TC N°: RG-T1538

I. GENERAL INFORMATION:

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| 1. | Name of the T.C. Project | Support for Performance Indicators for Caribbean Water Utilities . (RG-T1538). |
| 2. | Financing Source: | Aquafund (AQF). |
| 3. | Beneficiary countries: | Regional (Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago, and OECS). |
| 4. | Beneficiaries: | Population served by Utility Companies within the Organization of Caribbean Utility Regulators (OOCUR) and water utilities in the Caribbean. |
| 5. | Executing Agency | Organization of Caribbean Utility Regulators (OOCUR). |
| 6. | Team Members: | Javier Grau (WSA/CGY), Yvon Mellinger (INE/WSA), Brian Martin Mc Nish (TSP/CTT), Evan Cayetano (WSA/CJA), Rosina de Souza (LEG/SGO). |
| 7. | Estimated Total Amount to be financed: | US\$120,000 |
| | Financed local counterpart: | US\$15,000 |
| | Financed by other sources: <i>Aquafund (AQF)</i> | US\$105,000 |
| 8. | Execution and Disbursement Deadlines: | Execution: 6 months
Disbursement: 8 months |

II. BACKGROUND

- 2.1 While differing in many ways, many Caribbean water supply utilities share common challenges including a i) high degree of dependence on external funding; ii) low levels of cost recovery and demand management; iii) limited resources for maintaining equipment; and iv) customers who expect a high level of service. Additionally, many of these countries are facing the challenge of assets and facilities that are in need of replacement or removal.
- 2.2 Furthermore, few utilities in the Caribbean region have attempted to define their service goals, and fewer have attempted to quantify their development needs on the basis of achievements within strategic result areas. The longer-term impacts of their programs have seldom been fully identified. Few have adopted firm benchmarks based on rational performance evaluation criteria to measure their performance and development progress.

Performance targets need to be defined, based on a clearer analysis of expected results; and firm data to measure efficiency and improvement of service delivery needs to be regularly generated and reported. Rationally-based strategies and action plans that set out clear targets for institutional and policy developments, as well as improvements to facilities, are required.

- 2.3 The need for regional cooperation and exchange of experience was recognized in the establishment of the Organization of Caribbean Utility Regulators (OOCUR). OOCUR was established in 2002 to “assist in the improvement of utility regulation, to foster transparent and stable utility regulation through autonomous and independent regulators in member countries, to undertake research, training and development, to facilitate understanding of regulation issues and sharing of information and experience” across the Caribbean (<http://www.oocur.org/AboutUs.htm>). OOCUR is already fulfilling its role in disseminating information and sharing experience, but long travel distances and high travel costs limit direct contact with its member utilities
- 2.4 Several of the Caribbean countries are engaged in improving the efficiency of the delivery of water supply, and sanitation services in their own ways. Through this Technical Cooperation, the establishment of rational performance benchmarks for use in these relatively small countries will enable the refinement of frameworks to measure medium- and long-term impacts, and will help determine the need for further assistance to the sectors. Additionally, the project will enhance the dissemination of information between these countries and will help focus assistance to the special needs of these small, relatively isolated, countries.
- 2.5 This regional TC is consistent with the IDB’s Water and Sanitation Initiative (WSI). By assisting water utilities in the Caribbean to improve their financial and operational performance, this TC will address the fourth pillar of the WSI, which is aimed at promoting efficient and transparent water utilities. In this sense, this TC is to serve as an input for the implementation of the TC “Efficiency and Transparency in Water and Sanitation Operators” (RG-T1527) in Latin America and the Caribbean, aimed at developing a system to measure and certify the efficiency and transparency of water utilities so that they could access IDB financing under the Aquaexpress program. Additionally, this operation will benefit from the TC “Energy Efficiency for Caribbean Water and Sanitation Companies”, (RG-T1605), currently being designed by the Bank and aimed at assisting water utilities in the Caribbean to reduce energy costs and prepare energy efficiency action plans.
- 2.6 This project will fund activities eligible for financing under Aquafund, specifically in the areas of i) support to legal and regulatory framework analyses and reform, and ii) capacity building for sector operators, both public and private. This project is to address one of the key challenges preventing the achievement of the Millennium Development Goals (MDGs) in the water sector as identified by Aquafund. This challenge is related to the need to have adequate regulatory and institutional frameworks to ensure a sustainable development of the sector. In this regard, a lesson learned in the water sector in recent years is that those countries with suitable regulatory frameworks are the ones that have achieved higher degrees of sustainable development in the sector. Additionally, the improvement of service provider efficiency indicators, clear accountability and mechanisms for the measurement of the

performance of water utilities are key elements to contribute to the development of the sector. Resources under category “A: Technical Assistance” of Aquafund will be used to assist Caribbean countries in the improvement of their technical and financial performance.

III. OBJECTIVES:

- 3.1 The objectives of the project are to assist water utilities in (i) improving the delivery of water supply and sanitation services through the establishment and adoption of appropriate operational, institutional, and financial performance evaluation criteria and benchmarks within utility organizations; and (ii) developing appropriate regulatory, managerial, and technical practices through consultations between water utilities within the Caribbean region. The project will benefit water utilities and consumers in the following countries: Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago, and OECS countries.

IV. DESCRIPTION:

- 4.1 The project will use a participatory approach involving water utilities within the Caribbean region. OOCUR will be the focal point for discussion, dissemination, and exchange of information. Emphasis will be placed on a participatory workshop in which performance evaluation criteria will be discussed, and utilities will decide on appropriate performance benchmarks. Participants will also draft preliminary action plans to improve the efficiency of service provision; these plans will be refined later. The project will be implemented in three phases, as presented below.
- 4.2 **Phase 1 - Initial Surveys.** Indicative outputs of utility deliverables will be developed and updated to cover all OOCUR countries in the Caribbean region. The survey will cover all facets of utility operations, including population served, consumption, production and generation, demand, supply constraints, system losses, tariffs, demand management measures, financial data, and availability of human resources with appropriate skills to staff the utilities. The utilities, through the regulatory agencies in each country, will provide information on the performance of the water and sanitation sector, and on present policies, and institutional and fiscal arrangements. In those countries where there is no regulatory body, the utilities would provide this information through their sector ministries.
- 4.3 **Phase 2 – Consultations.** A participatory workshop will be held in one of the member countries. Participants will include representatives from government, water utilities, and regulatory agencies in the Caribbean region. Participants will review the results of the initial surveys and will identify key strategic and results areas for framing performance evaluation criteria, and will determine appropriate performance benchmarks for their utilities. Specific reference will be made to issues of common interest to utilities in the Caribbean region. Participants will also discuss the technical standards used by their respective utilities, and methods of adopting and promulgating appropriate technical standards. Agreements will be reached by the participants on common technical standards and their calculation and use across the region. The Project Manager for this TC, who will coordinate the collection and analysis of data from the surveys, will be responsible for the organization of the participatory workshop.

- 4.4 Working papers, including discussion documents, will be prepared and circulated to participants in advance. Resource persons will prepare papers on specialized subjects of interest to Caribbean water utilities. Selected participants will present case studies based on the experience of their utilities. All participants will draw on the operating experience of their utilities in deciding on appropriate criteria and benchmarks. Participants will formulate action plans for improving the performance of their own utilities. Methods of formulating, adopting, and promulgating appropriate technical standards will also be addressed during the workshop.
- 4.5 **Phase 3 - Adoption of Evaluation Criteria, Benchmarking, and Preparation of Action Plans.** The Project Manager will prepare a document that sets out the findings of the workshop, recommended performance evaluation criteria, methods for applying the performance evaluation criteria to provide benchmarks for assessing utilities' performance, and methods for promulgating appropriate technical standards. Workshop participants, on returning to their organizations, will develop their outline action plans and incorporate the use of evaluation criteria in their internal and public reporting procedures.
- 4.6 OOCUR will keep copies of the action plans and public reports for dissemination, and periodically updated information and data. OOCUR will monitor the progress of the utilities in adopting benchmarking systems and in the implementation of the action plans. The project will assist in the setting up of a database to allow the periodical publication of benchmarks by all water utilities in OOCUR's website.
- 4.7 **Consulting Services Required:** In order to implement the project, two individual consultants will be hired: a Project Manager and a Benchmarking Specialist. These consultants will be hired by the Executing Agency, OOCUR, using the "Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank" of July 2006 (GN-2350-7).
- 4.8 **Duration:** The Project Manager will be working from the OOCUR offices in Trinidad and Tobago for a period of five months. The Benchmarking Specialist will work in the project for one month.

V. EXECUTION MECHANISM:

- 5.1 The project will be executed by the Organization of Caribbean Utility Regulators (OOCUR), based in Port of Spain, Trinidad and Tobago. OOCUR is a non-profit organization established in Jamaica by an agreement dated 26th July 2002. Current members of OOCUR include the utility regulators in Bahamas, Barbados, Belize, Guyana, Jamaica, and Trinidad and Tobago, which represents all the Bank's member countries in the Caribbean region except for Haiti and Suriname. OOCUR is the only organization in the Caribbean with the goal of promoting collaboration among utility regulators in the region with the goal of improving the delivery of basic services such as water and sanitation and as such, it has been identified as the ideal executing agency for this operation. To help execute the operation, two consultants will be hired: a Project Manager and a Benchmarking Specialist.

- 5.2 In Phase 1, the Project Manager will coordinate the implementation of the initial surveys, and the collection of the survey results. In Phase 2, the Project Manager will be in charge of the organization of the participatory workshop. At the conclusion of the project, OOCUR will become the central agency for collecting, updating, and disseminating information and data. OOCUR will hold data banks and libraries of action plans and public reports on the operating performance of water utilities in the region. Bank's financing will include the costs of workshop attendance of participants from the region.
- 5.3 An international consultant (Benchmarking Specialist in the water sector) required for one month, will, along with the Project Manager, facilitate the implementation of the project. This consultant will design and review the questionnaires and information material and make appropriate recommendations
- 5.4 Specific issues to be addressed in the resource and participants' papers will be identified during Phase 2 of the project, and are likely to include water utility management, regulation, and private sector participation. The consultant will be selected as an individual consultant, in accordance with the Bank's procurement policies.
- 5.5 Reports and documents prepared during project implementation include the collation and analysis of data from the Phase 1 surveys, and working papers for the participatory workshop in Phase 2. The project findings will be summarized in a publication that will include the results of the Phase 1 surveys, recommended performance evaluation criteria, systems of performance benchmarking, methods for reporting utilities' performance in key results areas, and methods of promulgating appropriate technical standards. A separate report will summarize the utilities' outline action plans.

VI. BUDGET:

- 6.1 The total budget for this operation is US\$120,000 of which the Bank would finance US\$105,000 from Aquafund. The remaining US\$15,000 would be contributed by the Executing Agency and would include office space for the execution of the project and the travel expenditures for OOCUR members representing countries of the Organization of Eastern Caribbean States (OECS) who will participate in the workshop. A Revolving Fund will be established in OOCUR for payments using IDB funds, the amount of the Revolving Fund will be 10% of the total contribution by the Bank. The budget includes a component for the financial auditing of the operation, which will be carried out at the end of the project.

Expense Item	AQUAFUND	Counterpart: OOCUR	TOTAL
Program Manager			
Honorarium.			
100 working days x US\$400	45,000		45,000
Travel			
1 trip per country (7 countries) plus per diem (3-4 days per country)	10,000		10,000
Benchmarking Specialist			

Honorarium.			
26 working days x US\$500	13,000		13,000
Workshop:			
12 participants for a workshop of 4 days	22,000	12,000	34,000
Workshop Facilities	5,000		5,000
Other Costs:			
Other Costs: (Auditing and Evaluation)			
Auditing	5,000		5,000
Evaluation	5,000		5,000
General local support:		3,000	3,000
GRAND TOTALS	105,000	15,000	120,000

VII. SOCIAL AND ENVIRONMENTAL IMPACTS:

- 7.1 The Program is not anticipated to have negative direct environmental or social impacts and has been classified as a “C” according to the Safeguard Classification Tool. The project will not include and civil works or supply of goods, so there will not be direct social or environmental impacts. However, the project will have positive indirect impacts since the establishment of benchmarks for water utilities is aimed at improving the performance of these utilities, which translates into an improvement in the services provided to all citizens and promoting a more efficient use of water supplies.

VIII. RESPONSIBILITY IN THE BANK:

- 8.1 **Technical Responsibility:** Javier Grau (WSA/CGY) with the support of Brian Martin Mc Nish TSP/CTT), and Yvon Mellinger (INE/WSA).

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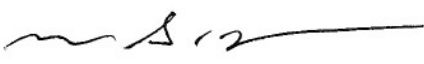
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- 8.2 **Responsibility for Disbursements:** Country Office Trinidad and Tobago.

IX. CERTIFICATION

- 9.1 I hereby certify that this operation was approved for financing under the Aquafund (AQN) through an email dated on December 10, 2008 and signed by Gerhard Lair. Also, I certify that resources from the Aquafund (AQN) are available for up to \$105,000 in order to finance the activities described and budgeted in this document. This certification reserves resources

for the referenced project for a period of twelve (12) calendar months counted from the date of signature below. 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 Plan of Operations. 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, for which the Fund is not at risk.




Marguerite S. Berger,
Chief
Grants and Cofinancing Management Unit,
VPC/GCM



12/16/08

Date

X. APPROVAL

Approved: 

Federico Basañes,
Chief
Water and Sanitation Division,
INE/WSA

17/16/08

Date