

## PROJECT PROFILE

### I. BASIC DATA

<b>Project name:</b>	Potable Water and Sewerage Investment Program for Periurban Areas.		
<b>Project number:</b>	BO-L1034		
<b>Country team:</b>	Ruben Avendaño (INE/WSA); Marcelo Barros (INE/WSA); Carlos Diaz (consultant); Coral Fernandez-Illescas (INE/WSA); Javier Jiménez (LEG/SGO); Cynthia Nuques (INE/WSA) y Christopher Jennings (INE/WSA), project team leader.		
<b>Borrower:</b>	Government of Bolivia		
<b>Executing agency:</b>	The Ministry of Water, through the Deputy Ministry of Basic Services (VSB) will prepare the Program. The operators of water and sewerage systems in metropolitan areas will implement individual projects financed by the Program.		
<b>IDB Initiatives</b>	The Program will be prepared as set out in the 100 Cities component of the IDB Water Initiative (document number GN-2446-1), by which financing will be structured for poor cities with problems of access to water and sanitation, using resources of the IDB as well as drawing on other sources of financing.		
<b>Financing plan:</b>	IDB Fund for Special Operations	US\$	6 million
	IDB Ordinary Capital	US\$	14 million
	Parallel financing from international agencies:	US\$	128 million
	Local contribution:	US\$	2 million
	Total:	US\$	150 million
	The financing plan will be confirmed during preparation.		
<b>Safeguards:</b>	Policies triggered:	None	
	Classification:	B	

### II. GENERAL JUSTIFICATION AND OBJECTIVES

#### A. Preliminary definition of Program

- 2.1 The purpose of the Potable Water and Sewerage Investment Program for Peri-urban Areas (the Program) proposed in this document is: "To have increased access to sustainable potable water and sewerage services in periurban populations". The target, by which success of the Program will be measured, is tentatively identified as new water connections or sewage connections for 1 million inhabitants in the periurban areas of La Paz, El Alto, Cochabamba and Santa Cruz. The target will be confirmed during preparation.
- 2.2 The Program will comprise components to, (i) improve the operational and financial performance of the operators; (ii) design, construct and put into operation infrastructure for the production and distribution of potable water, and the collection and treatment of wastewater; and (iii) support the sector's institutional

framework. The design of the Program will include a wide variety of activities of consultation, information and participation of the community.

- 2.3 The Deputy Ministry of Basic Services (VSB<sup>1</sup>), a dependency of the Ministry of Water, responsible for planning and for establishing sector policy will prepare the Program with the Sanitary Services Superintendence (SISAB<sup>2</sup>), the sector regulator, and the metropolitan operators of water and sewerage systems. The IDB, KfW, CIDA and other international agencies working in the water sector in Bolivia, will support the preparation of the Program by participating in missions during preparation and by financing technical cooperation.
- 2.4 The financing available from the IDB is insufficient to cover the cost of the Program. The Government, with the support of the Bank, is seeking parallel financing from other international agencies so that the problem can be tackled by a single operation, rather than piecemeal. In the case that insufficient parallel financing is confirmed during preparation, the Program will be designed in such a way that additional financing can be added during implementation.
- 2.5 In May 2004, the Government published Presidential Decree 27487, creating the Sector Finance Policy (PFS), to harmonize the rules for financing water and sanitation projects to ensure sustainable services. The PFS is not fully functional, but the VSB, with support from international agencies involved in the sector, has prepared draft regulations for the assignment and channeling of financing to water and sewerage operators. The PFS will utilize the National Fund for Regional Development and the Productive and Social Investment Fund to channel credit and subsidies respectively to the operators. The VSB has not finalized Program implementation arrangements, but will base them on global project management by FNDR or FPS, both of which are executing agents for water programs supported by the IDB, and the implementation of individual projects by the respective operator.

## **B. Justification**

- 2.6 The 2001 census found that the potable water and sanitation coverage deficit was concentrated in: (i) rural communities, and (ii) the metropolitan areas of La Paz, El Alto, Cochabamba and Santa Cruz. Since then the rural areas have received considerable attention<sup>3</sup>, leaving the periurban areas as the principal priority. These areas are predominantly poor, and many have grown at a very high rate since 2001 as people have migrated in search of work in the cities. The periurban areas in both El Alto and Cochabamba have seen social unrest related to poor water and sanitation services. The Program will contribute to halving the water and sanitation coverage deficit by 2015, as required by the UN Millennium Development Goals.

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<sup>1</sup> *Viceministerio de Servicios Básicos.*

<sup>2</sup> *Superintendencia de Servicios Sanitarios.*

<sup>3</sup> Both the Basic Sanitation Program for Small Municipalities (PROAGUAS), financed by a US\$40 million IDB loan (1050/SF-BO), and a multi-donor poverty-reduction project led by UNICEF have financed projects in rural areas. In addition, the Government has prepared a Water Program for Small Communities, financed by a US\$21 million IDB loan (1927/BL-BO), and a €18 million grant from the KfW, which will cut the rural deficit by an additional 40% in the next 5 years.



- 2.7 The Program will contribute four cities to the aim of structuring finance to resolve the water and sanitation problems in 100 Latin American cities as set out in the IDB Water Initiative approved by the IDB in 2007. In structuring the finance, the VSB will use resources of the IDB and those of other international lenders and donors.

### **C. Strategy**

- 2.8 Sector strategy. The IDB financed a detailed analysis of the water and sanitation sector, which culminated in an action plan<sup>4</sup> issued by the VSB in December 2005. In 2006 the IDB prepared a Technical Note to support the policy dialogue with the Government. Both analyses identified investment in water and sanitation in periurban areas as a priority. The IDB and the VSB prepared a short sector strategy document to support programming, which defines poor water and sewerage services in periurban areas as a strategic problem, and identifies a corresponding loan to invest in these areas in the list of proposed interventions.
- 2.9 Country strategy. The IDB management will present the new Country Strategy, based on the policy dialogue, to the Board during the first part of 2008. The general objective of the Country Strategy is poverty alleviation, with a new focus on international cooperation. The second of four strategic areas defined in the Country Strategy is: "...development of the potable water and sanitation sector...". The Program is explicitly linked to all of these aspects of the Country Strategy and is included in the formal list of projects to be approved in 2008.
- 2.10 Program strategy. The VSB and the IDB will invite all potential collaborators among the international agencies to participate in the design of the Program. The design of the Program will be based on: (i) harmonizing preparation so that the design, analysis and justification are satisfactory to all potential lenders or donors; (ii) explicitly assigning the correct roles to the VSB and the SISAB within the Program's framework; and (iii) facilitating preparation by utilizing the institutional structure and procedures and that have been developed by the VSB with the support of the international agencies for the Sector Finance Policy.

## **III. ISSUES RELATING TO PREPARATION AND EXECUTION OF PROGRAM**

### **A. Program Preparation**

- 3.1 VSB Capacity. VSB has the knowledge and expertise to develop the Program, but limited capacity in terms of the number of personnel. To mitigate this, the IDB will contract the consulting firms needed to do the major studies and analysis required for preparation. The IDB will offer to finance a consultant to coordinate the VSB activities and ensure a timely response when information and decisions are required.

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<sup>4</sup> *Plan de Acción para el logro de las Metas del Milenio en el Sector Agua y Saneamiento de Bolivia.*

- 3.2 Defining a finance package. The Program is the first to be prepared using the principles of structuring finance from the IDB and other resources. No other agency has yet confirmed their intention of offering the additional financing needed for the Program. The VSB will make sure that all potential contributors among the international agencies working in the sector are fully informed about the Program, and will request their help with preparation and financing. The VSB will lead the search for financing, but the IDB will actively support the government in approaching potential contributors.
- 3.3 The institutional structure proposed to manage the funds from the various sources, and to channel the financing to the operators is defined by the Sector Finance Policy. Although the two organizations foreseen as managing the finance are functioning, the Policy has not been put into practice. One of the consultancies used for the preparation of the project will, among other things, make sure that the Sector finance Policy, and the relevant financial organizations have the required rules, procedures and mechanisms in place.

#### **B. Program Execution**

- 3.4 Sustainability. Unwillingness to pay tariffs is a risk whose reduction depends on public: understanding of problems and costs; trust in the operator; and a feeling of "ownership". The program will incorporate these factors through comprehensive information and publicity campaigns, education and community participation.
- 3.5 The operators' governance structure. The governance of some of the operators permits outside interference that might impede professional financial and operational management. The authorities will develop rules of eligibility for individual projects that address this problem, requiring explicit standards for the selection of employees and the establishment of a permanent professional staff.
- 3.6 Implementation of individual projects. Project implementation in Bolivia is often delayed as a result of tendering and contract disputes. The metropolitan operators have an uneven implementation capacity; the larger, institutionally stable operators are competent at contracting and supervising construction, but the smaller operators, especially those that are municipal companies, have problems with procedures, and limited experience at resolving disputes. The Program will include several measures to confront this problem: (i) appropriate tendering and contracting procedures will be defined as part of the rules of eligibility for financing; (ii) technical cooperation from the Program will be available to strengthen the operators; and (iii) The Program will support collaboration between the larger and smaller operators.

#### **IV. SAFEGUARDS SCREENING (SEE SAFEGUARD ANNEXES I AND II).**

- 4.1 The Program will finance projects that, by their nature, will have a net positive social impact, especially in reducing infant death and illnesses due to waterborne diseases. It will also have a positive environmental impact, introducing sewerage and the treatment of wastewater, where none exists. Given the nature of water and



wastewater projects, construction and operation will be marked by local and temporary impacts related to: construction noise; dust and odor; waste generation, traffic interference and accident risk. Environmental impact control measures exist to mitigate these impacts, and will be built into the design of the Program. None of the projects is likely to require relocation. If during Program implementation the need for resettlement becomes evident, IDB Policy OP-710 will be adopted.

- 4.2 Because of the nature of the impacts noted above, the IDB project team considers the Program to be a Category B operation, overriding the IDB's toolkit classification of C. In accordance with the B classification, the Environmental and Social Strategy (ESS) will involve the preparation of an Environmental Analysis to: (i) identify all possible environmental and social impacts; (ii) define impact management and mitigation measures; (iii) define the environmental eligibility criteria to be part of the Operating Regulations, all in accordance with national legislation and IDB policies; (iv) assess the capacity of the operators to comply with national legislation and IDB policies; and (v) ensure that the management of environmental and social aspects of the Program are adequate.

## V. RESOURCES AND TIMETABLE

- 5.1 The project team has undertaken an identification mission, during which the definition of the Program, as presented in this Profile, was developed. During the mission, the VSB and the Bank defined the studies to be carried out during preparation, for which the Government of Bolivia requested a non-reimbursable Technical Cooperation. A schedule of these studies is given in the form of a TC Brief in Annex IV.
- 5.2 An estimate of the IDB resources required to prepare the Program, including staff time, missions, and individual consultants for specific tasks, is given in Annex III.
- 5.3 The tentative principal milestone dates for the Program are:

<b>Table 1: Timetable for Program preparation and approval</b>	
Program Profile circulated (by IDB)	Feb. 19 <sup>th</sup> , 2008
QRR exercise completed for PP	Feb. 26 <sup>th</sup> , 2008
Financing for consultants confirmed (IDB)	March 31 <sup>st</sup> , 2008
Basic design parameters made available (VSB)	April 30 <sup>th</sup> , 2008
Financing partners identified (IDB & Government)	April 30 <sup>th</sup> , 2008
Consulting firm(s) contracted (IDB)	May 31 <sup>st</sup> , 2008
Orientation mission completed (IDB & VSB)	June 15 <sup>th</sup> , 2008
Consultancy fieldwork completed (Consulting firms)	August 31 <sup>st</sup> , 2008
Financing structure confirmed (Financing partners, IDB & Government)	August 31 <sup>st</sup> , 2008
Analysis mission completed (IDB & VSB)	Sept. 15 <sup>th</sup> , 2008
Program document circulated (IDB)	October 15 <sup>th</sup> , 2008
Loan proposal presented (IDB)	Nov. 20 <sup>th</sup> , 2008

## **ANNEXES**

- I. Safeguard Policy Filter (SPF)
- II. Safeguard Screening Form for Classification of Projects (SSF)
- III. Estimate of IDB resources required to prepare Program
- IV. Brief for TC resources for project preparation

**ANNEX I**  
**Safeguard Policy Filter Report**  
**Bolivia: Potable Water and Sewerage Investment Program for Peri-urban Areas (BO-L1034)**

<b>PROJECT DETAILS</b>	<b>IDB Sector</b>	Water and Sanitation
	<b>Type of Operation</b>	Investment Loan
	<b>Additional Operation Details</b>	
	<b>Country</b>	Bolivia
	<b>Project Status</b>	New Operation
	<b>Investment Checklist</b>	Infrastructure Water and Sanitation
	<b>Team Leader</b>	Christopher Jennings
	<b>Project Title</b>	Potable Water and Sewerage Investment Program for Peri-urban Areas
	<b>Project Number</b>	BO-L1034
	<b>Safeguard Specialist(s)</b>	Coral Fernandez-Illescas (INE/WSA)
	<b>Assessment Date</b>	2008-01-28
	<b>Assessment Number</b>	2008-01285322-2
	<b>Additional Comments</b>	

<b>SAFEGUARD POLICY FILTER RESULTS</b>	<b>Type of Operation</b>	Investment Loan	
	<b>Safeguard Policy Items Identified (Yes)</b>	The operation includes large infrastructure works (e.g. large number of workers, use of heavy machinery, or physical modification of the landscape).	(B.03)
		Potential to cause air, soil or water contamination (also see B.10).	(B.11)
		Any part of the investment or component(s) is being co-financed.	(B.15)
	<b>Potential Safeguard Policy Items (?)</b>	No potential issues identified	
	<b>Recommended Action</b>	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PCD (or equivalent) and Safeguard Screening Form to CESI Secretariat.  <i>Policy Directives can be accessed from the Resources tab on the Toolkit home page.</i>	
	<b>Additional Comments</b>		

<b>ASSESSOR DETAILS</b>	<b>Name of person who completed screening:</b>	Christopher Jennings
	<b>Title</b>	Sr. Sanitation Specialist and Project team leader
	<b>Date</b>	2008-01-28



**Annex II**  
**Safeguard Screening Form**  
**Bolivia: Potable Water and Sewerage Investment Program for Peri-urban Areas (BO-L1034)**

<b>PROJECT DETAILS</b>	<b>IDB Sector</b>	Water and Sanitation
	<b>Type of Operation</b>	Investment Loan
	<b>Additional Operation Details</b>	
	<b>Country</b>	Bolivia
	<b>Project Status</b>	New Operation
	<b>Investment Checklist</b>	Infrastructure Water and Sanitation
	<b>Team Leader</b>	Christopher Jennings
	<b>Project Title</b>	Potable Water and Sewerage Investment Program for Peri-urban Areas
	<b>Project Number</b>	BO-L1034
	<b>Safeguard Specialist(s)</b>	Coral Fernandez-Illescas (INE/WSA)
	<b>Assessment Date</b>	2008-01-28
	<b>Assessment Number</b>	2008-01283005-2
	<b>Additional Comments</b>	

<b>PROJECT CLASSIFICATION SUMMARY</b>	<b>Project Category: C</b>	<b>Override Rating:</b> B	<b>Override Justification:</b> Elevate: other (add details in final report)
	<b>Conditions/Recommendations</b>	<p><input type="checkbox"/> Category "B" operations require an environmental analysis (see Environment Policy Guideline: Directive B.5 for Environmental Analysis requirements).</p> <p><input type="checkbox"/> The Project Team must send the PCD (or equivalent) containing an Environmental and Social Strategy (ESS -- the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3; paragraph 9) and the SSF to the CESI.</p>	

<b>SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS</b>	<b>Identified Impacts/Risks</b>	<b>Potential Solutions</b>
	No issues identified	

<b>ASSESSOR DETAILS</b>	<b>Name of person who completed screening:</b> Christopher Jennings	<b>Date:</b> 28 <sup>th</sup> January 2008
	<b>Comments:</b>	



## ANNEX III

## IDB Estimate of IDB resources required to prepare Program

## Potable Water and Sewerage Investment Program for Peri-urban Areas (BO-L1034)

IDB Staff time					
Team leader (INE/WSA)					0.36 FTE
Sector specialist (WSA/CBO)					0.10 FTE
Institutional and financial specialist (INE/WSA)					0.22 FTE
Safeguards specialist (INE/WSA)					0.08 FTE
Specialists for consultant selection panel (INE/WSA)					0.04 FTE
Attorney (LEG)					0.08 FTE
Project assistant (INE/WSA)					0.10 FTE
Internal review (Various divisions)					0.04 FTE
Total staff time:					1.02 FTE
Mission expenses					
Mission	Travelers	Ticket cost (US\$)	Duration (days)	Per diem (US\$)	Mission cost (US\$)
Identification	2	3,500	7	120	8,680
Orientation	3	3,500	14	120	15,540
Analysis	3	3,500	7	120	13,020
Negotiation	2	3,500	5	120	8,200
Inbound for VSB personnel	2	3,500	4	322	19,152
					64,592
Consultant costs					
Consultant	Duration (days)	Rate (US\$)	Travel costs (US\$)	Consultant costs (US\$)	
Financial (to act as member of project team)	30	450	3,920	17,420	
Policy review (to investigate making IDB policies, those of other agencies, and the government of Bolivia, compatible).	20	600	0	12,000	
Assistance for VSB	30	450	4,300	17,800	
Environmental	20	450	3,080	12,080	
Total cost of consultancies:					59,300

**Annex IV**  
**Brief for TC resources for project preparation**  
**Potable Water and Sewerage Investment Program for Peri-urban Areas (BO-L1034)**

<b>Date</b>	January 29 <sup>th</sup> , 2008		
<b>Relation to Lending</b>	Preparation of BO-L1034, see Project Profile (PP)		
<b>Project Team</b>	Ruben Avendaño (INE/WSA); Marcelo Barros (INE/WSA); Carlos Diaz (consultant); Coral Fernandez-Illescas (INE/WSA); Javier Jiménez (LEG/SGO); Cynthia Nuques (INE/WSA) y Christopher Jennings (INE/WSA), project team leader.		
<b>Leading Division</b>	INE/WSA		
<b>Type</b>	Technical Assistance		
<b>Executor</b>	Inter-American Development Bank		
<b>Objective</b>	Carry out studies necessary to justify and reinforce the design of the Small Community Sanitation Program, to be subject of an IDB loan.		
<b>Activities</b>	The TC will finance the following consultancies:		
	<u>Financial</u> . Consultancy to: (i) design the financial mechanisms and procedures to channel Program funds to the operators, based on the Sector Finance Policy; (ii) develop the counterpart and co-financing scheme based on the Sector Finance Policy; (iii) evaluate the financial capacity of the operators, municipalities and regional governments; (iv) evaluate tariffs currently charged, and degree of cost recovery.		
	<u>Technical</u> . Consultancy to reinforce previous studies, and to justify the amount of the Program.		
	<u>Institutional</u> . Consultancy to: (i) Evaluate the institutional capacity of the financial intermediary scheme to channel Program funds to the operators; (ii) Evaluate the implementation capacity of the operators; and (iii) undertake formal SECI evaluation of all implementation actors.		
	<u>Socio-economic evaluation</u> . Consultancy to: (i) determine demand curves for potable water and sewerage services in the peri-urban areas; (ii) determine the willingness to pay for water and sewerage services in the peri-urban areas; (iii) determine minimum tariff levels to ensure sustainability; (iv) calculate optimum subsidy level based on family income; (v) demonstrate socio-economic feasibility of the Program; and (vi) develop cost limits for project eligibility.		
	<u>Operating Regulations</u> . Consultancy to write Operating Regulations once Program design is complete.		
<b>Expected Outcomes</b>	1. Recommendations for the design of the New Program. 2. Justification of Program design from a financial, institutional, social, economic and environmental stand point.		
<b>Timeline</b>	Consultants contracted	May 31 <sup>st</sup> , 2008	
	Consultancies commenced (to coincide with Orientation Mission)	June 7 <sup>th</sup> , 2008	
	Orientation mission concluded	June 15 <sup>th</sup> , 2008	
	Consultancies concluded (prior to Analysis Mission)	August 31 <sup>st</sup> , 2008	
	Analysis mission concluded	September 15 <sup>th</sup> , 2008	
<b>Estimated Budget</b>		<b>TC (US\$)</b>	<b>Counterpart (US\$)</b>
	<b>Financial consultancy</b>	90,000	15,000



<b>Technical consultancy</b>	20,000	10,000
<b>Institutional consultancy</b>	35,000	15,000
<b>Socio-economic consultancy</b>	80,000	15,000
<b>Consultancy to write Operating Regulations</b>	15,000	5,000
<b>TOTAL</b>	<b>240,000</b>	<b>60,000</b>

\* Counterpart contribution will be in kind (office space, office equipment use, and secretarial services).