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BOLIVIA

SUPPORT FOR THE PREPARATION OF THE WATER AND SEWERAGE INVESTMENT PROGRAM FOR PERIURBAN AREAS

(BO-T1085)

PLAN OF OPERATIONS

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BASIC SOCIOECONOMIC DATA	http://www.iadb.org/countries/home.cfm?id_country=BO &Language=English
ANNEX I	Terms of Reference for Consultancies - Draft
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ABBREVIATIONS

CIDA	Canadian International Development Agency
GtZ	<i>Gesellschaft für Technische Zusammenarbeit</i> . The German agency for technical assistance.
IDB	Inter-American Development Bank
JSF	Japanese Special Fund
KfW	<i>Kreditanstalt für Wiederaufbau</i> . The German Development Bank
SECI	Systematic Evaluation of the Institutional Capacity
VSB	<i>Viceministerio de Servicios Básicos</i> . Deputy Ministry of Basic Services

PROJECT SUMMARY

Beneficiary:	Bolivia	
Team Leader/Members:	Ruben Avendaño (INE/WSA); Marcelo Barros (INE/WSA); Coral Fernandez Illescas (INE/WSA); Javier Jimenez (LEG); Maria Liliana Mor (INE/WSA); Cynthia Nuques (INE/WSA); and Christopher Jennings (INE/WSA), team leader.	
Executing Agency:	Ministry of Water, through the Deputy Ministry of Basic Services (VSB), with the support of the IDB for hiring the consultancy services.	
Sources of Funding:	Japanese Special Fund (JSF)	
Objectives:	The purpose of the Technical Cooperation is to prepare the Potable Water and Sanitation Investment Program for Periurban Areas in sufficient detail for the IDB and other potential credit and donor agencies to approve financing. To meet the purpose the Technical Cooperation will: (i) develop specific aspects of the institutional framework for Program execution; (ii) evaluate the Program; and (iii) demonstrate the Program's feasibility.	
Target Beneficiaries:	The Program to be prepared by the Technical Cooperation will provide water and sewerage services for one million new beneficiaries in the periurban areas of La Paz, El Alto, Cochabamba and Santa Cruz.	
Financing plan:	<div style="text-align: right;"> IDB: Co-financing: Local: Total: </div>	<div style="text-align: right;"> US\$ 240,000 US\$ 0 US\$ 60,000 US\$ 300,000 </div>
Execution periods:	Period for consultants' fieldwork Period for delivery of final reports Period for disbursements (All dates from the date of the letter of technical cooperation to be signed by the Government of Bolivia and the IDB.)	Three months Four months Six months
Special Conditions:	There will be no special contractual conditions.	
Exceptions to Bank Policies And Procedures:	There will be no exceptions to Bank policies and procedures.	
ESR:	The ESR reviewed the operation on March 28 th , 2008.	
Coordination with other Institutions:	The project team is coordinating the preparation of the Program and this Technical Cooperation with the KfW, GtZ, and CIDA. It has made information available to other international agencies. See paragraph 1.9.	

I. BACKGROUND AND JUSTIFICATION

A. Objective of the Technical Cooperation

- 1.1 The purpose of the Technical Cooperation is to prepare the Potable Water and Sanitation Investment Program for Periurban Areas in sufficient detail for the IDB and other potential credit and donor agencies to approve financing. To meet the purpose the Technical Cooperation will: (i) develop specific aspects of the institutional framework for Program execution; (ii) evaluate the Program; and (iii) demonstrate the Program's feasibility.

B. The Potable Water and Sewerage Investment Program for Periurban Areas

- 1.2 The Deputy Ministry of Basic Services (VSB¹) and the IDB have identified the lack of water and sewage services in the periurban areas of El Alto, La Paz, Cochabamba and Santa Cruz as the most important problem facing the sector. The VSB, the IDB and other international agencies, have defined the Potable Water and Sewerage Investment Program for Periurban Areas (the Program) to address this problem. The Program purpose is: "to have increased access to sustainable potable water and sewerage services in periurban populations", with a target of new water and sewage connections for one million inhabitants. The Program will cost US\$150 million and 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.
- 1.3 The Program will be prepared as set out in the 100 Cities component of the IDB Water Initiative (document GN-2446-1), by which credit and grant financing from the IDB and other sources will be structured for poor cities with water service access problems. Consequently the IDB will support the VSB in structuring the financing for the Program, and in preparing the Program so that it meets the criteria for such financing from the relevant lenders and donors. The IDB foresees contributing a US\$20 million loan to be approved in 2008 (project number BO-L1034), the Government will contribute US\$2 million in counterpart financing, and the IDB will assist the VSB in obtaining US\$128 million in parallel financing for the balance.
- 1.4 The Government of Bolivia has requested the non-reimbursable technical cooperation to be used to support the VSB in the preparation of the Program. The formal request was made during the identification mission for the Program, and is documented in the Aide Memoir signed by the Deputy Minister VSB, and the Deputy Minister, Deputy Ministry of Public Investment and External Finance. The Government of Japan has agreed to finance the TC using the Japanese Special Fund (JSF).

¹ *Viceministerio de Servicios Básicos.*

C. Justification

- 1.5 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 attention², 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.
- 1.6 The Program will not only provide new infrastructure, but will promote service sustainability through efficient operation and tariffs that cover the full cost of providing the services.
- 1.7 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.
- 1.8 To justify the Program, the VSB must show that it is adequately designed and that it is viable in technical, environmental, socio-economic, institutional and financial terms. Technical Cooperation will provide the resources for the VSB to be able to demonstrate this.

D. Coordination with Other Institutions

- 1.9 All of the different agencies working in the water and sanitation sector in Bolivia have coordinated their activities over the last few years. The most active organizations: the KfW, GtZ and CIDA all participated in the identification mission for the Program. The project team has briefed the Spanish Embassy and the delegation of the European Commission in La Paz on the Program.

² 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.

- 1.10 The project team has sent draft copies of the terms of reference for the consulting firms to be contracted with financing from the Technical Cooperation to all of the agencies noted above, with a request for comments.

II. DESCRIPTION OF THE TECHNICAL COOPERATION

A. Description

- 2.1 The Technical Cooperation will finance five consultancies:

- i. Consultancy 1, Financial. Consultancy to: (i) design the financial mechanisms and procedures to channel Program funds to the operators, based on the Sector Finance Policy that has been developed by the VSB with support from international agencies working in water and sanitation projects; (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; define an plan to improve the financial capacity of the operators, municipalities and regional governments associated to the Program; and (iv) evaluate tariffs currently charged, and degree of cost recovery and design a tariff and subsidies scheme to guarantee the Program financial feasibility;
- ii. Consultancy 2, Technical and Environmental. Consultancy to confirm the results of preliminary studies undertaken prior to the identification mission to define the Program scope and amount of the Program, as well as to prepare the Program's environmental analysis;
- iii. Consultancy 3, Institutional. Consultancy to: (i) evaluate the institutional capacity of the financial mechanisms and organizations that will channel Program funds to the operators; (ii) evaluate the implementation capacity of the operators; and (iii) undertake formal Systematic Evaluation of the Institutional Capacity (SECI) of implementation actors; (iv) define an institutional strengthening plan for the operators; (v) hold a series of training workshops for the operators; (vi) present the findings of the institutional consultancy at a workshop for a wider audience of stakeholders;
- iv. Consultancy 4, Socio-economic evaluation. Consultancy to justify the Program from a socio-economic perspective, including to: (i) undertake a socioeconomic survey to determine the demand for potable water and sewerage services in the periurban areas; (ii) develop a demand supply curve; and (iii) undertake a cost-benefit analysis.
- v. Consultancy 5, Operating Regulations. Consultancy to write Operating Regulations once Program design is complete.

III. BUDGET

- 3.1 This TC total cost of is estimated at US\$300,000. The JSF will finance up to US\$ 240,000 (80%) and the VSB will finance US\$ 60,000 (20%) in kind. The budget is summarized in Table 1, and given in detail in APPENDIX III.

Table 1: Summary of Budget			
Item	JSF total (US\$)	Counterpart (US\$)	Total (US\$)
<u>Consultancy 1</u>	56,100	7,650	63,750
<u>Consultancy 2</u>	20,500	1,700	22,200
<u>Consultancy 3</u>	56,900	7,650	64,550
<u>Consultancy 4</u>	91,100	7,650	98,750
<u>Consultancy 5</u>	14,300	1,700	16,000
VSB staff and expenses	0	25,000	21,000
Hire of meeting hall for training	0	2,000	2,000
Hire of venue for workshops	0	6,000	6,000
Contingency	1,100	650	1,750
TOTAL	240,000	60,000	300,000

IV. EXECUTING AGENCY AND MECHANISM

- 4.1 **Executing Agency.** The executing agency for the Technical Cooperation will be the VSB. The IDB, through the INE/WSA division, will be responsible for the procurement and contracting of the consulting firms to carry out the work.
- 4.2 The IDB will contract consulting firms or individual consultants as set out in the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank.

V. MONITORING AND EVALUATION

- 5.1 **Monitoring and Evaluation.** Employees of the VSB will accompany the consultancy teams full time, monitor their activities and evaluate the final reports. The IDB project team will evaluate interim and draft final reports from each consultancy prior to, and during missions to Bolivia. The terms of reference for each consultancy, and all reports, will be circulated to members of the international community involved in the project to make sure that the scope complies with their requirements, and the standard is sufficient.

VI. BENEFITS AND RISKS OF THE TECHNICAL COOPERATION

A. Benefits

- 6.1 The immediate benefit of the Technical Cooperation will be the VSB, which will have the resources to prepare and justify the Program.

- 6.2 The ultimate benefits of the Technical Cooperation will be enjoyed by the one million periurban poor who will have new water and sewerage connections as a result of the Program to be prepared with financing from the Technical Cooperation. By promoting sustainable operating practices, the Program will deliver subsidiary benefits for all of the people served by the metropolitan water and sewerage operators.

B. Risks

- 6.3 The activities must be carried out within the timetable given in Table 2 to be effective. Any delay in signing of the letter of technical cooperation between the Government of Bolivia and the IDB, or in contracting the consulting firms, will create a risk to achieving the purpose of the Technical Cooperation.
- 6.4 The Technical Cooperation itself has very little risk. The procedures for procuring the consulting services are standard. A similar operation carried out in 2007 for the preparation of The Small Community Water Program (BO-L1013) encountered no difficulties.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 7.1 **Environmental and Social Impacts.** The TC comprises studies and evaluations and will not generate direct negative environmental or social impacts. The project team has classified the TC as a C project. The ESR reviewed the operation on March 28th, 2008.

VIII. RESOURCES AND TIMETABLE

- 8.1 The tentative principal milestone dates for the preparation and execution of the Technical Cooperation are given in Table 2.

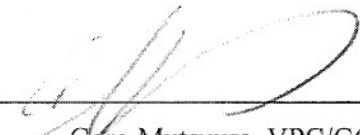
Table 2: Timetable for Program preparation and approval	
Consulting firm(s) contracted.	May 31 st , 2008
Consulting firms mobilized.	June 15 th , 2008
Consultancy fieldwork completed.	August 31 st , 2008
Consulting firms final reports circulated.	September 30 th , 2008
Technical cooperation completed.	September 30 th , 2008
Final disbursement made.	November 15 th , 2008

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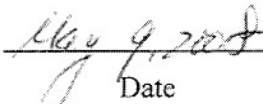
(BO-T1085)

CERTIFICATION


I certify that this operation was approved for financing under the Japan Special Fund (JSF) through a memorandum dated March 18, 2008 and signed by Rintaro Tamaki, Director-General of the International Bureau, Ministry of Finance, Japan. Also, I certify that resources from the JSF are available for up to US\$240,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of ten (10) months counted from the date of signature below. Were the project not approved by the IDB within that period, the reserve of resources will be cancelled; except if a new certification is obtained. 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 defined and payments to consultants, except that local consultants working in their own borrowing member country shall have their remuneration defined and paid in the currency of that 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 TC Funds Profile. 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 no at risk.



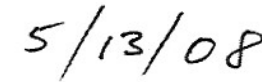
Goro Mutsuura, VPC/GCM



Date

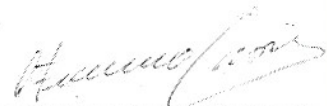


Marguerite S. Berger, Chief
VPC/GCM




Date

Approved:



C. Federico Basañes
Chief

Water and Sanitation Division, INE/WSA



Date