

TC Document

I. Basic information for TC

▪ Country/Region:	Regional
▪ TC Name:	Strengthening and Evaluating the Caribbean Regional Wastewater Fund (CReW)
▪ TC Number:	RG-T2602
▪ Team Leader/Members:	Rodrigo Riquelme (INE/WSA), Team Leader; Evan Cayetano (WSA/CTT); Yvon Mellinger (WSA/CBA); Irene Cartin (INE/WSA); and Javier Jimenez (LEG/SGO)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	
▪ Reference to Request ¹ : (IDB docs #)	IDBdocs#39430468
▪ Date of TC Abstract:	04-16-2015
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Jamaica, Guyana, Belize and Trinidad and Tobago
▪ Executing Agency and contact name:	Bank executed (INE/WSA)
▪ Donors providing funding	Aquafund (AQF)
▪ IDB Funding Requested:	US\$500,000
▪ Local counterpart funding, if any:	0
▪ Disbursement period (which includes execution period):	24 months
▪ Required start date:	June, 2015
▪ Types of consultants (firm or individual consultants):	Individual consultants
▪ Prepared by Unit:	INE/WSA
▪ Unit of Disbursement Responsibility:	INE/WSA
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	
▪ GCI-9 Sector Priority:	Infrastructure for competitiveness and social welfare

¹ A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

II. Objective and Justification

- 2.1 **Description of CReW Program.** The Caribbean Regional Fund for Wastewater Management Project (CReW) is a four year project that focuses on piloting revolving financing mechanisms and related wastewater management reforms in the Wider Caribbean Region (WCR) (RG-X1011 approved by the Board on July 7th, 2011). The project, which is being funded by the Global Environment Facility (GEF), is managed and implemented by the Inter-American Development Bank (IDB) and the United Nations Environment Program (UNEP).
- 2.2 The overarching objective of the CReW is to create pilot financial mechanisms that can be used to provide sustainable financing for environmentally sound and cost-effective wastewater management. The project also aims to facilitate policy and legal reforms, regional dialogue, and knowledge exchange with the key stakeholders in the Wider Caribbean. The project has an approved amount of US\$20 million and comprises three components: (i) Investment & Innovative Financing of Wastewater Management (US\$16,665,000), (ii) Reforms for Wastewater Management (US\$2,500,000); and (iii) Communication Outreach and Information Exchange (US\$710,000). The CReW was conceived as a pilot financing facility and could be replicated under a larger facility/program through additional capitalization under GEF and/or from other resources.
- 2.3 From among multiple candidates, Belize, Guyana, Jamaica and Trinidad and Tobago were selected to participate in the Pilot Financing Mechanism. Their respective projects were high national priorities to improve or prevent further deterioration of coastal water quality. Each country was open to assistance to discussing policy reforms and bringing project costs within ratepayers' ability to pay. Each country signed an agreement with the IDB to create a Pilot Executing Agency (PEA), whose responsibilities include establishing the Pilot Financing Mechanism (PFM), setting up a project management unit, and approving project financial agreements with borrowers.
- 2.4 Nine other countries endorsed CReW, which are Antigua and Barbuda, Barbados, Costa Rica, Guatemala, Honduras, Panama, Saint Lucia, Saint Vincent and the Grenadines, and Suriname. Their participation includes capacity building and institutional strengthening for wastewater policy, legal and institutional reform, although many articulated a demand for participating in pilot projects. Subsequent discussions have embraced the possibility of a follow-on CReW-II.
- 2.5 CReW has joined a well-established community of institutions dedicated to issues related to the environment, public health, water and wastewater management in the Caribbean. The program is aligned with the Bank's GCI-9 since it covers water treatment solutions which mitigate the effect of methane emissions to the atmosphere. The program also aligns with the Water and Sanitation Sector Framework on their Dimensions 1 and 2 (Access to sanitation and quality of service and sector governance improvement respectively).
- 2.6 Alignment with country strategy. The four pilots align with each country strategy. Jamaica pilot aligns with the objective of Support implementation of public sector transformation

through the creation of the guarantee fund in the National Water Commission (NWC) that will facilitate the participation of funding from the private sector. Belize aligns with the priority sector of Tourism since the areas of interventions are located in touristic areas of the country. In Guyana, the program aligns with the strategic objective of the Private Sector Development of Strengthening the capabilities of local firms to facilitate the adoption of new production technologies as well as product and export diversification. This is done through the use of CReW funds for supporting the private sector in the improvement of their environmental solutions for trade effluent treatment. Finally, for the case of Trinidad and Tobago, the plot aligns with the strategic objective of supporting the Government's reform agenda aimed at improving transparency, efficiency and effectiveness of public expenditure, including SOEs. This was done through the creation of a revolving fund that will be replenished through cost recovery via water rates paid by customers.

2.7 Progress and current status of the program

- 2.8 The US\$5 million Belize Wastewater Revolving Fund (BWRF) (GRT/FM-12724-RG) was envisioned to provide subsidized interest rate loans for eligible public and private sector wastewater treatment projects. During 2014, the CReW retroactively financed US\$739,333 on the Belmopan Sewer System and is currently awarding the contract for a US\$1,137,293 project for the expansion and refurbishment of Belmopan waste water treatment plant. The revolving fund has already given BWSL an extra cash source that allowed them to fund sustainable projects in shorter time than their original execution schedule.
- 2.9 The US\$3 million Guyana Wastewater Revolving Fund (GWRF) (GRT/FM-12725-RG) supports improvements in wastewater management through both public and private sector channels. In 2014, a shortlist of potential private sector companies was targeted by GWRF and discussed with IDB. Currently, CReW is the only available fund in the country to support the private sector in improving their environmental standards and making them more competitive.
- 2.10 The Credit Enhancement Facility in Jamaica (JCEF) (GRT/FM-12726-RG) is a US\$3 million guarantee fund placed in a reserve account and pledged to local commercial banks by the NWC as collateral for acquiring financing to carry out wastewater projects. This instrument allowed NWC to gain access to the private sector banking to improve the execution of their wastewater project pipeline.
- 2.11 The US\$2 million Trinidad and Tobago Revolving Wastewater Fund (TTWRF) (GRT/FM-12727-RG) was conceptualized to improve coverage and performance in the wastewater sector. The first-generation project in southwestern Tobago will rehabilitate a 15-year old wastewater treatment plant and expand the number of property connections to bring more customers onto the network. The fund will be replenished via tariff payment by the new subscribers of the system. This will provide direct support to the Water and Sewerage Authority (WASA) for achieving financial sustainability in the medium-long term.
- 2.12 The Project Coordinating Group (PCG) was established in order to carry out the day-to-day management of the CReW project, based in Jamaica. The PCG coordinates the execution of the project under the oversight of UNEP and IDB, drawing from their combined expertise.

The PCG is composed by four members lead by the Project Coordinator who is responsible for the overall performance of the project and production of the outputs/products, reporting directly to the UNEP and IDB. The four pilots are progressing according with the planned outcomes having disbursed already 70% of budget of the program. Regarding utilization of funds, the levels of utilization are 65% of the disbursed amount. All the countries have already presented a schedule of utilization of these funds that will reach 100% by the end of the program executing period.

- 2.13 Although the program has enough resources for its conclusion, there will be a need to develop further activities that are required to acquire better understanding of the program impacts, lessons learned and elaborate a replication strategy for a second stage. The concept of a replication of the project emerged recently as means of developing a second phase of the program. It is expected that the new phase will include the lessons learned for the first stage expanding the number of countries included in the project, including new technologies, filling the environmental gaps detected during the first stage and increasing the dialogue with the 13 signatory countries. It is expected that CReW-2 will take all these elements into consideration when being designed.
- 2.14 On July 30, 2014, the Pilot Countries met in Jamaica at the invitation of the IDB-UNEP to share their experiences and views with regards to project execution, with the intention that any knowledge generated could contribute to enhancing the current operation and also support with a strategy for the design of a CReW-2. They identified some critical issues to be considered.
- 2.15 It was strongly suggested that awareness building activities should commence as early as possible and there should be more information sharing with key stakeholders, the media and the private sector. The countries have stated the importance of establishing clear and objective selection criteria for pilot country selection.
- 2.16 It was also acknowledged that the barriers to improving the wastewater go beyond the availability on funding (although this is important) to issues of capacity and organizational readiness and building this capacity may require significant resources in a future project. So far, the cost benefit analysis of CReW projects has proved to be of high return (e.g. Jamaica Wastewater Works Improvement Program, Belmopan Treatment Works Improvement Program, and Tobago Scarborough Wastewater Works Improvement Project). The private sector is also a relevant player that should be encouraged in the delivery of wastewater services. There are many successful business models that have been used in other countries, including build-operate and transfer, built-own-operate, etc.
- 2.17 Regarding governance issues, there is a need to have a stronger regulatory framework that actively participates in developing and monitoring a comprehensive action plan, and a civil society that actively participates.
- 2.18 The mid-term evaluation of the program delivered a set of key findings that turned into lessons learned that were already included in the current operation. These lessons are related to project management, relation with the client, scope of the project, and staging of the new operation

2.19 **Technical Cooperation (TC) general and specific objectives**

2.20 The general objective of this TC is to provide finance for capturing lessons learned, developing a dissemination strategy, the development of a replication strategy and a program scope for CReW-2.

2.21 The specific objectives are:

- ✓ Entail a thorough baseline analysis, which should take into account the cultural and political differences, governance modalities and regional alliances in order to detect the progress and current gaps related to impacts in International Waters' GEF chapter. This will allow a better program scope selection.
- ✓ Capture CReW program lessons learned in a comprehensive and practical manner.
- ✓ Establish a clear and a transparent selection process for pilot countries and first generation projects to be used as a tool when selecting the projects of CReW-2.
- ✓ Design dissemination and outreach campaign on CReW findings and outputs.
- ✓ Obtain endorsement at the national and regional levels of signatory countries of the replication strategy.
- ✓ Develop realistic project impact indicators and project targets on the program scope definition stage, which are linked to budgetary provision.
- ✓ Develop a private sector involvement strategy as part of the replication strategy, compatible with the nature of the proposed program.
- ✓ Design a replication strategy for CReW-2.
- ✓ Report the cost benefit analysis obtained in CReW and suggest improvements. Define the activities to be included in the replication strategy to ensure economic feasibility.

III. Description of activities and outputs

3.1 **Component 1. Lessons learned and replication strategy.** This component will include the development of the activities related to capturing the main lessons learned during the development of CReW. The analysis of these findings along with discussions and workshops with the relevant program stakeholders will allow the development of the replication strategy for CReW-2. There will be a detailed analysis on the execution of CReW in terms of political, institutional and financial barriers. The effectiveness of the program will be also studied through the development of workshops with the GEF focal points of the 13 participating countries. Opportunities for the private sector will also be analyzed in the modalities of expansion of the revolving fund facility for the private sector, development of built operate and transfer projects for some water utilities and/or the industrial sector. The above exercise will become a useful and dynamic tool as an aid to select prospective projects making sure that they will be sustainable not just socially and environmentally but being also able to replenish the revolving fund.

3.2 **Component 2. Communication and dissemination campaign.** This component will include the dissemination of experiences and lessons learned from CReW Pilot Projects. The component will also include an early-stage implementation of a targeted communication campaign including the preparation and dissemination of knowledge and information materials, media releases and articles. The campaign will be targeted to government

stakeholders that could potentially be executing agencies, private sector and non for profit organizations.

- 3.3 **Component 3. Program scope definition.** This component will include the activities needed in order to define the new program based on the replication strategy and define the project type to be included in CreW-2. The activities for infrastructure components will include: country selection methodology based on the gaps found in the baseline analysis, establishment of a project scope in terms of environmental needs, conceptual effluent treatment definition, facility scoping, budgeting and executing period. These activities will include the support of a multidisciplinary group, including financial, environmental, engineering, social, and institutional. The scope proposal will need to be approved by the Project Steering Committee which was created as part of GEF requirements. This committee represents the 13 countries participating in the program and endorses every year the program progress during the annual meeting. The committee is formed by GEF national focal points and CReW executing agencies.
- 3.4 **Component 4. Preparation of project proposal document.** This component will finance the design of the final proposal document that will define the new structure and implementation plan of CReW-2. The final document will be part of the GEF Project Identification Form and develop a thorough justification for the program including: alignment with GEF strategies and policies, define the cofinancing elements from IDB and UNEP, define the targets for contribution to global environmental benefits, key stakeholder involvement strategy and program outputs, and outcomes definition. The final document will be approved by the Project Steering Committee. The outputs will serve as the basis for the preparation of Project Information Form for GEF.

Table 1 - Indicative Results Matrix

Indicators Output and Outcome	Unit	Base Line	Target
Outputs			
Workshops on replication strategy delivered	Workshop	0	1
Replication Strategy completed	Report	0	1
Dissemination Campaign implemented	Updated website	0	1
Project selection completed	Report	0	1
Project information form completed an submitted to GEF	Report	0	1
Outcomes			
Number of times CReW each selected country used knowledge produced for project design/implementation	Nº	0	1
New CReW operation approved by GEF	Nº	0	1

Table 2 – [Indicative Budget](#) (US\$)

Activity/ Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1	Lessons learned and Replication Strategy	70,000	0	70,000
Component 2	Communication and dissemination Campaign	87,000	0	87,000
Component 3	Program definition	307,000	0	307,000
Component 4	Preparation of Project Proposal Document	36,000	0	36,000
	Total	500,000	0	500,000

IV. Executing agency and execution structure

- 4.1 The Bank (INE/WSA) will execute this TC since it is a regional operation and will require coordination with the four pilot countries. INE/WSA will be responsible for all aspects of this TC, including disbursements. The above also aligns with Appendix 10 of document GN-2629-1: TC is an initiative of the Bank. Under the proposed taxonomy, these would be TCs for Bank originated knowledge and dissemination. The Bank is the Executing Agency and has no counterpart.
- 4.2 Monitoring and supervision will be carried out by the Bank's technical team with the support of the Country Office and individual consultants, through the review of the progress and final reports prepared by the consultants contracted to carry out the activities of this TC. Procurement policy to be applied will be GN-2350-9.

V. Project risks and issues

- 5.1 No major risks were identified; the CReW program and its team have been fully operative since July 2011. However, there is still a medium risk of lack of interest or support from the selected countries during the execution of the program. This risk will be highly mitigated through the lessons learned and dissemination campaign to be started as soon as this TC is approved. This will sensitize the potential beneficiaries and get their buy-in of the program. Finally, if some lessons learned impact directly into some planned activities, this could imply a rescoping of these activities.

VI. Environmental and social classification

- 6.1 Given the nature of the activities to be financed by this TC, and in accordance with the guidelines of the Environment and Safeguard Compliance Policy (OP-703) Policy, the TC is classified as Category "C" ([see filters](#)).

ANNEXES:

- I [CReW Amendatory Agreement \(signed\)](#)
- II [Procurement Plan](#)
- III [Terms of Reference](#)

STRENGTHENING & EVALUATING THE CARIBBEAN REGIONAL WASTEWATER FUND (CREW)

RG-T2602

CERTIFICATION

I hereby certify that this operation was approved for financing under AquaFund (AQF) through a communication dated April 15, 2014 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 resources 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, for which the Fund is not at risk.

(original firmado)

6/3/2015

Sonia M. Rivera
Chief
Grants and Cofinancing Management Unit
ORP/GCM

Date

APPROVAL

Approved:

(original firmado)

6/4/2015

Sergio Campos
Division Chief
Water and Sanitation Division
INE/WSA

Date