

MULTILATERAL INVESTMENT FUND

(MEXICO)

MIF Delegation of Authority to Country Offices

Plan of Operations

1. GENERAL INFORMATION

A.	<i>Project Title</i>	Water and Energy Efficiency Program for Low-Income residents of Mexico (1st scale-up phase)
B.	<i>Project No. (TC#)</i>	ME-M1080
C.	<i>Executing Agency</i>	Cambio Azul S.A.
D.	<i>Target Beneficiaries</i>	Key beneficiaries are (i) 15,000 households and (ii) up to 50 women plumbers in water stressed areas of the Valley of Mexico and Tijuana (North Baja California).
E.	<i>Sources of Funding</i>	Total Cost: US\$ 724,248 MIF Contribution: 150,000 (21%) Counterpart Resources: 574,248 (79%)
F.	<i>Objectives</i>	<u>General objective:</u> to achieve economic saving for low-income beneficiaries through reduced water and fuel usage. <u>Specific objective:</u> demonstrate viability of the business model used (distribution of water and energy saving devices with financing from carbon credits) and foster large-scale adoption of the model.
G.	<i>Execution Timetable</i>	The project will be executed in 6 months (excl. audit to be performed in month 7 and 8). The period for Disbursement will be 12 months.
H.	<i>QED results</i>	The QED score for this project is: 6.83
I.	<i>Project Team</i>	Filippo Berardi (MIF/ABS), team leader; Gregory Watson (MIF/ABS); Gabriela Torrez (MIF/ATF); Guillermo Aguilar Rios (MIF/CME); Ruben Doboin (MIF/DEU); Sonia Puente (MIF/KSC); Ignacio Barragan (LEG).
J.	<i>Environmental Impacts</i>	The operation was classified as category 'C' and approved by the ESG Team on June 15 th , 2012.

2. BACKGROUND AND JUSTIFICATION

2.1. Problem Summary

Water demand in the Valley of Mexico and in North Baja California largely outweighs both immediate and longer-term supply. The main aquifer in the Mexico City region, supplying up to 70% of the residential needs, is being drained beyond the rate of replenishment, with a current stress level of 132%¹. Climate change and poor water management are exacerbating these circumstances and, as a consequence, the City's authorities have been increasingly forced to resort to the implementation of water-rationing measures over the past few years^{2,3}. Similar problems are found in the city of Tijuana, where the water stress is classified by CONAGUA as 'high', with a rate of utilization of renewable water resources of 73%. Moreover, in Tijuana water availability issues are further exacerbated by water quality and trans-boundary water pollution problems.

Apart from the environmental problems caused by the residential sector's growing water footprint, hot water is also one of the main factors impacting residential energy bills, due to the use of fossil fuels (natural gas or liquefied petroleum gas) and electricity for water heating. Finally, the use of hot water is also one of the main sources of emission of greenhouse gas (GHG) and other pollutants (such as nitrogen oxides (NOx) and sulfur oxides (SOx)) in the residential sector.

The use of showers and faucets represents the single largest use of water in Mexican households, averaging a daily consumption of up to 250 liters per person⁴. However, water fixtures in the residential sector are typically inefficient, using about 40% more water (i.e. approximately 25% more energy) than modern water-saving devices available on the market.

¹ The following table details the level of water stress in the different regions of Mexico:

Administrative watershed regions	Allocated water resources (millions of m ³)	Renewable water resources (millions of m ³)	Stress Level (%)	Stress Level Classification
<i>I Península de Baja California</i>	<i>3 420</i>	<i>4 667</i>	<i>73.3</i>	<i>High</i>
II Noroeste	7 703	8 499	90.6	High
III Pacífico Norte	10 411	25 630	40.6	High
IV Balsas	10 704	21 680	49.4	High
V Pacífico Sur	1 363 32	824	4.2	Low
VI Río Bravo	9 243	12 163	76.0	High
VII Cuencas Centrales del Norte	3 846	7 898	48.7	High
VIII Lerma-Santiago-Pacífico	14 479	34 533	41.9	High
IX Golfo Norte	4 854	25 564	19.0	Moderate
X Golfo Centro	4 973	95 866	5.2	Low
XI Frontera Sur	2 203	157 754	1.4	Low
XII Península de Yucatán	2 731	29 645	9.2	Low
<i>XIII Aguas del Valle de México</i>	<i>4 658</i>	<i>3 513</i>	<i>132.6</i>	<i>Very high</i>
Total nacional	80 587	460 237	17.5	Moderate

'Mexico's Water Statistics 2011'. Source: CONAGUA

² Water cut off in Mexican capital, BBC, 2009, available at: http://news.bbc.co.uk/2/hi/americas/country_profiles/7993279.stm [accessed, March, 12th 2012]

³ Mexico City braces for water rationing, Los Angeles Times, 2009, available at: <http://articles.latimes.com/2009/jan/30/world/fg-mexico-water30> [accessed, March, 12th 2012]

⁴ CONAGUA, 2010 'Manual de Incremento de Eficiencia Física, Hidráulica y Energética en Sistemas de Agua Potable'

The water scarcity problem outlined above has a number of causes, the most important of which being the spike in demand caused by rapid urbanization towards metropolitan areas, especially evident in the Valley of Mexico. Available local water resources are limited throughout the country, and particularly evident within Mexico City, which lies 2200m (7200+ ft) above sea level making groundwater pumping energy-intensive and therefore expensive. In addition, water is typically conceived of as an unlimited public good, which limits price increases and payment enforcement. Household rates are heavily subsidized and equal to approximately 15% of the supply costs. The percentage of water paid for by end users is 24% in Mexico City, and 36% in the metropolitan area.

The impact of the use of hot water on energy bills is poorly understood, and there is generally poor public awareness on the significant water, energy, and GHG savings potentially available through the installation of efficient residential water fittings. In addition, the upfront cost of the installation of the more efficient water fixtures usually represents an additional barrier to the deployment of the technology.

2.2. Strategic fit with MIF mission and agenda strategy

The main mission and objectives of the MIF relate to poverty alleviation and private sector development.

Poverty alleviation: This project will be implemented in low-income housing areas in Mexico, and will cut water and energy consumption (hence costs) for the end-users. The installation of the water-efficient fixtures will be free of charge for the households, and will be covered in the mid to long-term by the revenues from the sale of emission reduction certificates generated by the project. The direct cost savings per households are estimated at an average \$307, which is equal to approximately 44 days of income for an average household in the targeted areas.

The project will foster private sector development by providing training and direct job opportunities for up to 50 women through the Female Plumbers program. The participating women will have access to a large pool of potential clients, which will provide longer-term employment opportunities after the end of the project's lifetime. Additionally, the project will create employment opportunities for MSMEs to perform functions such as distribution and plumbing oversight. Furthermore, the supplier of the main technology is women-owned and employs mostly women; the project is expected to result in temporary hiring of additional workers.

The project directly contributes to the MIF's "Leveraging Natural Capital" agenda, which, *inter alia*, aims at supporting small businesses involved in the development and implementation of new metrics and methodologies for calculating and verifying GHG emission reductions. In addition, the project is also in line with the objectives of the MIF's "Clean and Efficient Energy" agenda. In addition, the project is in line with, and will foster the objectives of, the MIF's special area of focus on women entrepreneurship and gender integration, as well as the "Direct investment and mainstreaming initiative" of the IDB gender policy.

2.3. MIF additionality

The focus taken by Cambio Azul during the development of the project had at his core the development of the carbon emission reductions generation component. The MIF brings to the project an additional and strengthened focus on the co-benefits of the program in terms of employment, gender, people's awareness/education, scalability and knowledge transfer within and beyond LAC. For instance, the MIF intervention will enable Female Plumbers to receive not only plumbing training, but also training on how to set up and effectively market their own micro-enterprise to ensure longer-term employment opportunities. Formal employment is very difficult to be achieved by women in low-income areas of Mexico, and this additional component to be financed by the MIF will focus on this very problem.

Furthermore, as a startup, Cambio Azul faces difficulties to raise the level of upfront financing necessary to scaling this project up from the 100-house pilot scheme implemented in 2010 to the 1st and 2nd scale-up programs of 15,000 and 325,000 houses respectively (for more information on the project implementation stages, please see section 4.3 below).

The financing barriers are even more significant for this project as the sole source of revenues comes from the sale of carbon credits, at a moment where carbon prices are generally low. The participation of the MIF will go a long way in alleviating these barriers, maximizing the chances to access additional financing and proving the viability of the business model in the medium and longer term.

The involvement of the MIF at this stage is intended to create the pre-conditions for a possible larger operation (2nd scale-up) that will be assessed by the project team, in light of the performance of the 1st phase scale-up.

3. EXECUTING AGENCY AND BENEFICIARIES**3.1. Executing Agency**

Cambio Azul is a private Mexican company incorporated as a "Sociedad de Responsabilidad Limitada de Capital Variable" (Limited Liability Variable Stock Company or Corporation) in 2010. Stockholders are: Investment Technology Resources, Inc. (ITR) 95%, George T. Maher 5%. Investment Technology Resources, Inc. (ITR) is a private company resident in the state of Nevada, USA and fully owned by George T Maher. ITR was established to pursue a program to install efficient water saving devices. It holds rights to program intellectual rights, processes, and operational and management tools.

To date, Cambio Azul has successfully undertaken a number of activities related to project implementation and registration under relevant carbon standards, including the following:

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- Obtained approval from Gold Standard Foundation⁵ regarding a new methodology developed for calculating Voluntary Emissions Reductions from household fossil-fuel water heating⁶.
- Approval by the CDM Executive Board⁷ of a small-scale methodology for water saving devices (AMSII.M); and
- Completed a successful 9-week 100-household pilot study. The residents' feedback was very positive: 100% say they would recommend the program to their neighbors and relatives.

Cambio Azul was solely created with the purpose of being the coordinating and managing entity of this project. As such, Cambio Azul is fully aligned with the project.

3.2. Other Project Partners

In order to develop the 2nd phase-scale up of the project, Cambio Azul has made forward-looking agreements and established collaborations with the following Mexican organizations:

- FEDERAL DISTRICT: agreement in place with Mexico Secretary of Environment (SMA), Water System (SACM) and Federal District Attorney of Social Services (PROSOC) for developing a voluntary project under the Gold Standard.
- INFONAVIT: the Mexican federal institute for worker's housing, it is the largest mortgage lender in Latin America, with over 5 million mortgages on its books.
- FUNDACION HOGARES: the non-profit created by Infonavit to improve the living conditions of Mexican families living in low-income housing projects across the country, through tailored and participative social development programs.
- ADELMAR INTERNATIONAL S.A.: a women-owned Mexican SME manufacturing water efficient fixtures and employing mostly women. Will produce customized technology needed to comply with the Gold Standard and CDM rules.

In addition, initial agreements are in place with a number of other consultants involved in the design and implementation of the pilot programs.

⁵ Established in 2003 by WWF, the Gold Standard is a certification standard for carbon mitigation projects recognized internationally as the benchmark for quality and rigor in both the compliance and voluntary carbon markets. The Gold Standard Foundation certifies renewable energy and energy efficiency carbon offset projects to ensure that they all demonstrate real and permanent greenhouse gas reductions and sustainable development benefits in local communities that are measured, reported and verified. Gold Standard projects must adhere to a stringent and transparent set of criteria developed by the Secretariat, overseen by an independent Technical Advisory Committee and verified by UN accredited independent auditors. The certification process uniquely requires the involvement of local stakeholders and NGOs.

⁶ "Indicative Program, Baseline and Monitoring Methodology for Large Scale Supply and Distribution of Efficient Light Bulbs, Showerheads and Other Water Saving Products to Households" This GS Methodology can be accessed here: http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CEsQFjAA&url=http%3A%2F%2Fwww.cdmgoldstandard.org%2Fwp-content%2Fuploads%2F2011%2F10%2F100826_GS_VER_LFS_WSP-1.pdf&ei=FyrFT8P6CMbF6gGturWcCg&usq=AFQjCNEwuGb2WinhMp6qxSANDnyo4eqhwg&sig2=k8H23cqqGihOOvXf8H6Ozw

⁷ The CDM Executive Board is the United Nation's governing body of the CDM, responsible for adopting and applying rules and procedures, as well as specific guidance, on the CDM. The CDM EB is also responsible for the registration of CDM projects, issuance of Certified Emission Reductions and accreditation of third party independent auditors and verifiers.

3.3. Project Beneficiaries

The beneficiaries from this project can be grouped into four main categories:

A) 15,000 low-income households (about 60,000 residents) in the Mexico City and Tijuana metropolitan areas. These residents will directly benefit from:

- Savings in water consumption & cost;
- Reduced fossil fuel & electricity consumption & cost; and
- Increased awareness of, and contribution to, sustainability practices.

B) 50+ women will benefit from the creation of jobs during the project implementation and monitoring of the emission reductions. Formal employment is difficult to achieve for women in low-income areas of Mexico City - the targeted women would normally be *"amas de casa"*. A formal employment as plumbers has potential to produce positive and significant impacts on their social status, in addition to generating an additional income stream for the household. The women recruited by the project through the **Female Plumber** program will receive training through CECATI (*Centros de Capacitación para el Trabajo Industrial*)⁸, with regular courses towards a specific plumbing certification. Courses will be approx. 3-4 weeks long, including plumbing and business development modules. Courses will also include a final exam, comprising of 20% theory and 80% practice (practical training will be received in the context of the project's water fixture installation component itself). The women will be invited to apply for the program during the local stakeholder consultation organized in each neighbor to inform residents of the project, and will ideally come from the same residential areas that they will serve as plumbers. The trained women will be hired to perform tasks related to the project implementation and will receive a set of plumbing tools and a uniform each, as well as full medical insurance. In addition, through the installations (up to 12 per day) they will also have access to a significant pool of clients to continue to serve for other plumbing-related needs after the end of the project's lifetime.

C) The women-owned manufacturing SME that produces the water efficient fixtures to be installed by the project (Adelmar International S.A.⁹). This manufacturer, mostly employing women, produces the only showerhead in Mexico certified as "Ecological Grade", complying with the 'green' level at all three Mexico pressure zones. The peak in demand for the efficient water fixtures required by the project is likely to require the temporary hiring of additional workers at the plant.

D) The residents and the metropolitan regions where the project is to be implemented will benefit from:

⁸ Administered by the Secretariat on Public Education (SEP).

⁹ <http://www.adelmarinternational.com/adelmar/>

- Reduced costs and stress concerning watersheds, aquifers, water & wastewater treatment & piping, and wastewater disposal; and
- Cleaner local air.

4. PROJECT OBJECTIVES AND DESCRIPTION

4.1. Objectives of the project

The project's general objective is to achieve savings through reduced water and fuel consumption among low-income households in two representative Mexican metropolitan areas.

The project's specific objective is to demonstrate the viability of a business model that distributes water and energy saving devices with financing from carbon credits. Ultimately, the project aims to be scaled up at larger scale (detailed plans already exist for a 325,000 households 2nd stage scale-up across Mexico City).

4.2. Description of the model of the intervention

This project is highly innovative and incorporates a first-of-its-kind program that links water savings to energy savings and GHG emissions reductions. The project will involve replacing existing showerheads and faucet regulators with more efficient water fixtures. This will reduce household water and energy use, thereby reducing fossil fuel use and greenhouse gas emissions. New showerheads and faucets will be installed free of charge in the beneficiary households.

Cambio Azul, the managing entity for the project, developed a specific GHG emissions reduction baseline and monitoring methodology, registered under both the Gold Standard carbon certification scheme¹⁰ and the UN Clean Development Mechanism (CDM). The methodology was approved by the CDM Executive Board in July 2011¹¹ and it is the first one approved under the CDM that links water saving devices and greenhouse gas emissions. Given the novelty of this approach and the implications for a range of public and private stakeholders, the managing entity has established partnerships and agreements with Mexican organizations including the Federal District, CONAGUA¹², INFONAVIT¹³, CONAVI¹⁴ and SEMARNAT¹⁵.

¹⁰ <http://www.cdmgoldstandard.org/>

¹¹ Approved Small Scale Methodology AMS-II.M - Demand-side energy efficiency activities for installation of low-flow hot water savings devices". Available at: <http://cdm.unfccc.int/UserManagement/FileStorage/60IAK9SVCJRXPL7DBOQ5GNZ481HT32>

¹² CONAGUA is the Mexican National Water Commission, whose mission is to administer and ensure a sustainable use of the available water resources.

¹³ INFONAVIT is the Mexican federal institute for worker's housing, founded in 1972. It is the largest mortgage lender in Latin America, with over 5 million mortgages on its books. Infonavit receives 5% of all formal workers salaries and provides a series of housing-related mortgage products. These include a mortgage to buy a new or existing home, a mortgage to remodel a home or a mortgage to build a new home.

¹⁴ CONAVI is the National Housing Commission, whose mission is to design coordinate and promote access-to-housing programs and policies in Mexico.

¹⁵ SEMARNAT is the Mexican National Department for the Environment and Natural Resources.

4.3. Stages of implementation of the project

Cambio Azul has designed a three-step work-program, including:

- Initial pilot implemented in 2010 in 100 households across Mexico City, was used to gather initial data and support assumptions used in energy, water and CO2 saving calculations;
- 1st phase scale-up, covered in this Abstract and to be co-financed by the MIF, involving implementation of the model in 15,000 households. This will use voluntary carbon market certification (simpler and cheaper than CDM) and is currently in the process of raising finance¹⁶; and
- 2nd phase scale-up, involving implementation of the model in 325,000 households. This will use United Nation's CDM carbon market certification (Program of Activities - PoA)¹⁷.

As part of this project, the MIF will only finance part of Cambio Azul's 1st phase scale-up. Depending on the success of the 1st phase scale-up, the project Team will assess the opportunity of using grant and/or non-grant financing to participate in financing part of the 2nd phase scale-up (325,000 households program).

The 1st phase scale-up business plan envisions that the project will have duration of approximately 6 months, including the theoretical and practical training for the Female Plumbers. "Ecological Kits" comprising 1 showerhead and 2 faucet regulators will be delivered daily to designated drop-off points convenient to that day's installation schedule. Replaced showerheads and data sheets will be picked-up at the same spot daily, also. Daily data sheets with information on the installations carried out will be delivered each evening to Xerox (the project partner in charge of data processing) for entry in the project database. Removed fixtures will be collected in a warehouse for recycling and/or destruction. Finally, the monitoring activities will extend for 10 years after installation, which is equal to the emission reductions crediting period allowed by the chosen Gold Standard emission reduction monitoring methodology.

4.4. Project components

The project will be organized in four components, with the following specific activities:

- a. Component 1 – Awareness campaign and participation. This component will include the identification of the specific neighborhoods and households to be included in the project, defining the project boundaries. It will also include a campaign to inform residents of the prospective program implementation (through stakeholders consultation meetings organized

¹⁶ The 15,000 household pilot scheme will be certified using a Gold Standard Foundation carbon accounting micro-scale methodology after the installation of the new water fixtures is completed.

¹⁷ The MIF will evaluate the possibility of participating in financing part of this program, using grant and/or non-grant financing and depending on the success of the 15,000 houses 1st phase scale-up.

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in each target residential area), and the preparation of informative material to be distributed during the installation phase.

- b. Component 2 - Design, manufacturing, deployment more efficient water fixtures. This component will include the manufacturing of the mold necessary for the production of the faucet fixtures, which will be exclusively used for the production of the pieces to be used in this project (and the eventual 2nd scale-up). The component will also include the certification of the water fixtures as 'ecological grade' by an independent laboratory (according to specifications required by Mexican regulations) and the preparation of a deployment plan for the water fixtures. Finally, the component will include the installation of the water fixtures in 15,000 households, which will be performed over a period of approximately four months, using 20-25 teams of 2 plumbers doing 8 to 10 installations per day, and the relative collection of the installation data sets.
- c. Component 3 – 'Mujeres Plomeras' Program. This component will identify and provide training to the technical personnel that will be in charge of the removal of the existing water fixtures and the installation of the new more efficient ones. The personnel, almost exclusively women, will undergo a training program of 3 to 4 weeks, including plumbing and basic servicing/maintenance for water heaters (two weeks). The desk-based training will also include a business development module (1 week). As for the practical training, each Mujeres Plomeras will undergo practical training under the supervision of the project supervisors throughout the installation period (minimum 3 months). The practical training is necessary to be able to take the R.O.C.O. exam and certification ("Reconocimiento Oficial de la Competencia Ocupacional").
- d. Component 4 – Administration and Knowledge management. This component will include the consulting services for the development and registration of the project under the rules of the Gold Standard carbon certification scheme, as well as the relative accounting and legal preparatory work. Moreover, this component will include the creation and maintenance of a database and web-based reporting tool for project management. Finally, this component will include knowledge sharing and the development of knowledge transfer product(s).

5. SUMMARY BUDGET

As anticipated above, the MIF will co-finance 1st phase scale-up of the Cambio Azul program. This has an expected total cost of USD 724,248 and the MIF will co-finance it up to USD 150,000. Through a non-reimbursable TC, the MIF will finance a combination of expenses related to the following group of activities:

- Desk-based training and certification of the Female Plumbers (3-4 weeks training, including plumbing, basic water heating and business development skills);
- Practical training activities for the Female Plumbers;
- R+D activities for the development of the mold for the new water faucet; and

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- Knowledge sharing products, database and web-reporting tool.

The cost of the proposed project is presented in the following summary table:

Cost Elements	MIF	Counterpart	Total
Component 1: Awareness campaign and participation	0	12,554	12,554
Component 2: Design, manufacturing, deployment more efficient water fixtures	27,000	273,898	300,898
Component 3: Mujeres Plomeras Program	101,950	33,236	135,186
Component 4: Administration	19,000	237,120	256,120
Contingencies	2,050	17,440	19,490
Total	150,000	574,248	724,248

All figures expressed in US \$

5.1. Sources of Funding

The MIF will finance 21% of the project and the other project stakeholders will finance 79% of the project. The remainder of the amount to be financed will be covered by other financing partners to be identified. Potential partners include INFONAVIT and a number of large housing/construction private companies which are currently discussing financing options with Cambio Azul.

Emission reduction units that will be generated after the installation of the water saving devices, throughout the project's 10 years crediting period, will generate enough revenues to finance all project operations. These emission reduction volumes have already been forward-sold to the organization MyClimate¹⁸, a Swiss-based NGO engaged in the business of sourcing, developing and commercializing emission reduction projects worldwide, which is also participating to this project as co-financing partner.

Ultimately, Cambio Azul will be responsible for securing the necessary funds are available upfront, before the project starts implementation. The MIF will only disburse for the 1st phase scale-up if all other co-financers have already approved or made available their respective funds. This should ensure that MIF resources are only used to finance agreed components.

6. MECHANISMS FOR PROJECT EXECUTION

6.1. Execution and Disbursement Periods.

Procurement and contracting: For the procurement of goods and contracting of consulting services, the Executing Agency will apply the IDB Policies (GN-2349-9 y GN-2350-9). Given that the Diagnostic of Executing Agency Needs (DNA) generated a high level of need/risk classification, the project team has determined as stipulated in Appendix 4 of the IDB Policies, the Executing Agency

¹⁸ www.myclimate.org

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which belongs to the private sector, will use the private sector procurement methods specified in Annex 1 of the Operational Guidelines for Technical Cooperation Projects (OP-639). In addition, and considering the short execution period (6 months) the review of procurement and contracting processes for the project will be conducted ex-ante. MIF/CME will train, through an internal workshop, the Executing Agency in procurement areas that require further strengthening as identified during the DNA application [Annex VI]. Before project contracting and procurement begins, the Executing Agency must submit the project Procurement Plan for the MIF/CME approval which should be updated when there are changes in the methods or goods or services to be procured.

Financial Supervision: The Executing Agency will establish and will be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB/MIF. Given that the Diagnostic of Executing Agency Needs (DNA) generated a high level of need/risk in financial management, the review of supporting documentation for disbursements will be conducted ex-post and on a quarterly basis. MIF/CME will train the Executing Agency in financial management areas that require further strengthening as identified through the DNA [Annex VI].

The Executing Agency, with the supervision of MIF/CME, will contract independent auditors to carry out the ex-post reviews of procurement processes and of supporting documentation for disbursements. Ex post reviews will include an analysis of the Financial Statements that the EA should prepare as part of its financial management. The costs associated with this contract will be financed with the MIF contribution resources according to IDB procedures.

Execution period. The project will have an execution period of 6 months. The disbursement period will be 9 months in order to conclude the final contracts and the delivery of the final products.

6.2. Program Implementation Readiness.

After the execution of the contract between the MIF and the Executing Agency, the project will start implementation as soon as the condition established under paragraph 5.1 is met, i.e. after all other co-financers have approved or made available their respective funds.

Beside the condition above, the project is ready to kick-start implementation and the level of readiness is considered high.

6.3. Results-based disbursements

Project disbursements will be contingent upon the achievement of milestones, which will be agreed between the Executing Agency and the MIF along with their means of verification. Achievement of milestones does not exempt the Executing Agency from the responsibility to reach the project's objectives.

Under the modality of Performance and Risk-based Project Management, disbursements will be made through an advance of 30% of the funds, upon fulfilment of the conditions precedent for the project inception (financial closure). Subsequent Disbursements will be made upon verification that

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milestones have been reached, as agreed to in the Project Execution schedule (see Annex III). In particular, a second disbursement of up to 60% will be done after the completion of the selection process for lady plumbers and supervisors, before the commencement of the training schedule. Finally, the last disbursement of 10% will be done after the completion of the terms of reference for the knowledge product(s).

6.4. Procurement

For the procurement of goods and contracting of consulting services to be financed with MIF resources, the Executing Agency will apply IDB policies (GN-2349-9 and GN-2350-9) and the MIF-issued guidelines which are consistent with IDB policies. Before engaging in procurement and contracting for the project, the Executing Agency shall submit a Procurement Plan for consideration by the IDB, to its satisfaction.

7. MONITORING AND EVALUATION**7.1. Project Status Report**

The Executing Agency will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semester, or more frequently as determined by the MIF by providing at least sixty (60) days advance notice to the Executing Agency. The PSR will contain information on the progress of project execution, achievement of milestones, and completion of project objectives as stated in the logical framework and other operational planning tools. The PSR will also describe issues encountered during execution and outline possible solutions. Within ninety (90) days after the end of the execution term, the Executing Agency will submit to the MIF a Final Project Status Report (Final PSR) which will highlight results achieved, project sustainability, evaluation findings, and lessons learned.

7.2. Evaluation

The opportunity to have an impact evaluation for this project was discussed with DEU and it was concluded that an impact evaluation may not be needed for this activity since the causal link between the intervention and the expected outcomes is relatively clear.

7.3. Financial Management

The Executing Agency will establish and maintain adequate accounts of its finances, internal controls, and project files systems, according to the financial management policy of the IDB/MIF. The audit of financial statements will be conducted at the end of the execution. The reviews of supporting documentation for disbursements will be conducted ex-post at the end of the execution.

The IDB/MIF will contract independent auditors to carry-out the audit of financial statements as well as the ex-post reviews of the procurements processes and of supporting documentation for disbursements. The associated costs will be financed with the MIF contribution to the project according to the IDB procedures.

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8. KNOWLEDGE-SHARING AND DISSEMINATION STRATEGY

The knowledge objective for this project is testing a new model for emission reduction projects, which also includes employment, gender and household savings benefits. In addition, the project aims to demonstrate the steps that need to be followed to scale up a small-scale intervention and adapt it to large urban population contexts.

Audiences: The implementation of this project will generate lessons that are of great interest for a number of stakeholders, including private companies and social entrepreneurs that could be interested to replicate the model in other metropolitan areas within LAC and across the globe. Other secondary audiences are women associations and networks working on gender job skills, national and local municipalities and development agencies, including other multilateral development banks. Furthermore, a communication campaign to raise awareness will be launched in the community to support the initiative and to strategic audiences identified in the project.

Message: The main message that will be articulated through the project design and implementation is that large-scale programs that target demand-side use of water and energy resources can be self-sustainable through the sale of carbon credits. Secondary messages will be that improving access to basic services to low income populations can be feasible and profitable at the same time, and that female workers, if properly enabled, can perform well jobs traditionally performed by men.

Knowledge products from this project will be:

- a. A brief project case study that will summarize the intervention, the main project results and scale reached; it will present lessons learned for next scale-up phase and challenges needed to address for the replication of the model.
- b. Training module and materials for lady plumbers that will help create a network of female plumbers to provide services. This will include a mobile training room, installed on a mobile container, which will be used to enable practical training sessions to be held closed to the communities that will be reached by the project throughout the successive stages of implementation

Attachment II

MULTILATERAL INVESTMENT FUND

9. APPROVAL

This project is recommended and approved for financing under the MIF Program of Delegation of Authority (MIF/GN-62-7).

Recommended By:



(Team Leader)

Date:

29-AUG-2012

Approved By:



Date:

29-AUG-2012

IDB Representative (COF)

Annexes:

Annex I- Logical Framework

Annex II- Detailed Project Budget

Annex III- Project Execution schedule

Annex IV - Procurement Plan

Annex V- QED

Annex VI- Diagnostic of Executing Agency Needs (DNA)