



Project Completion Report

PCR

Project Name: Rural Water Program

Country: Jamaica

Sector/Subsector: Water and Sanitation

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Project Number: JA0113

Loan Number (s), TC(s): 1360/OC-JA

CRG Date:

Final Approval Date of PCR:

PCR Team: Principal Author and Members: Evan Cayetano (WSA/CJA); Glaister Cunningham (CCB/CJA); Lu Shen (INE/WSA)



Acronyms and Abbreviations

BO	Build-operate
BOT	Build-operate-transfer
CWO	Community-based Water Organizations
EA	Executing Agency
GOJ	Government of Jamaica
JPM	Jamaica Poverty Map
JSIF	Jamaica Social investment Fund
IDB	Inter-American Development Bank
MOU	Memorandum of understanding
MOWH	Ministry of Water and Housing
NWC	National Water Commission
PC	Parish Council
PCF	Project Consulting Firms
PIOJ	Planning Institute of Jamaica
PIU	Project Implementation Unit
PSC	Private Sector Companies
QRM	Quarterly Review Meeting
RWSC	Rural Water Supply Company Limited
USAID	United States Agency for International Development
WSP	Water Sector Policy



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I. Basic Information

BASIC DATA (AMOUNTS IN US\$)							
PROJECT NO: JA-0113	TITLE: Rural Water Program						
Borrower: JAMAICA	Date of Board Approval: 07 Nov 2001						
Executing Agency (EA): MINISTRY OF WATER AND HOUSING	Date of Loan Contract Effectiveness: 07 Feb 2002						
	Date of Eligibility for First Disbursement: 04 Jul 2002						
Loan(s): 1360/OC-JA	Months in Execution						
Sector: WATER AND SANITATION	* from Approval: 98						
Lending Instrument: Investment – Specific Project	* from Contract Effectiveness: 95						
	Disbursement Periods						
	Original Date of Final Disbursement: 07 Feb 2007						
	Current Date of Final Disbursement: 15 Dec 2010						
	Cumulative Extension (Months): 34						
	Special Extensions (Months): 12						
	Loan Amount(s)						
	* Original Amount: 10,000,000						
	* Current Amount: 8,000,000						
	* Pari Passu (if applicable): 85.5%						
Poverty Targeted Investment (PTI): Yes	Disbursements						
Social Equity (SEQ): Yes	* Amount to date: 7,033,078.29 87.9%						
Environmental Classification: A, B, or C	Total Project Cost (Original Estimate): 12,500,000						
	Redirectioning						
	Has this Project?						
	Received funds from another Project <input type="checkbox"/>						
	Sent funds to another Project <input type="checkbox"/>						
	N/A <input type="checkbox"/> N/A						
	<table border="1"> <thead> <tr> <th>To/From Project Number</th> <th>From Sub-Loan Number</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	To/From Project Number	From Sub-Loan Number	Amount			
To/From Project Number	From Sub-Loan Number	Amount					
	* Current amount (adjusted for redirectioning):						
	On Alert Status						
	Is project currently designated "on alert" by PAIS: Yes						
	If yes then why is the project on alert (D0, IP Ratings and/or relevant PAIS indicators): Slow execution and low DO and IP ratings						
	Comments on relevance of "on alert" status for this project (if applicable):						

Summary Performance Classifications				
DO	<input type="checkbox"/> Highly Probable (HP)	<input type="checkbox"/> Probable (P)	<input checked="" type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)
IP	<input type="checkbox"/> Highly Satisfactory (HS)	<input type="checkbox"/> Satisfactory (S)	<input checked="" type="checkbox"/> Unsatisfactory (US)	<input type="checkbox"/> Very Unsatisfactory (VU)
SU	<input type="checkbox"/> Highly Probable (HP)	<input type="checkbox"/> Probable (P)	<input checked="" type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)



II. The Project

a. **Project Context**

During project preparation, the Government of Jamaica (GOJ) estimated that almost half of the rural population lacked adequate water services. Rural communities depended on a combination of sources ranging from rainwater catchments, protected and unprotected springs, to standpipes and house connections.

In the 1990's, the problems in the water sector led to widespread dissatisfaction with water services and in some cases civil unrest, exacerbated by a severe drought in 1997 throughout the country. As a result the GOJ: (i) reorganized the water sector institutions; (ii) made new investments in water systems; (iii) defined and issued a water sector policy and strategy; and (iv) established the "Rapid Response Programme" as an emergency program. In addition to reorganizing the water institutions, the Water Sector Policy (WSP) was approved by the Cabinet in 1999 to ensure (i) minimum standards of service; (ii) efficient provision and use of water; (iii) introduction of cost recovery mechanisms; and (iv) effective and efficient operation of an appropriate regulatory framework to protect customers, investors and the environment. In rationalizing the institutional sector, the GOJ made an important step of separating the roles of policy maker, regulator and operator. The former Ministry of Public Utilities was separated into sector ministries and the Ministry of Water and Housing (MOWH) was created as the main entity responsible for water policy formulation.

In order to address the poor provision of water and sanitation services in rural areas, the GOJ, with help through the IDB Technical Cooperation ATN/DC-7079-JA: "Design of a Rural Water Program" prepared the project under the guidance from the new WSP while drawing lessons from previous programs. According to the loan proposal, conclusions obtained during the preparation of the project indicated that the main issues in rural water supply include:

- **Urban Bias.** The organizational structure of the National Water Commission (NWC) favors operation in major urban conglomerates, whereby rural water schemes tend to benefit less from investments in water infrastructure compared to urban areas.
- **Technology Bias.** The "utility approach", which favors the extension of networks to rural areas that translates into large civil works and high capital costs, generates a technological bias [*against*] the use of adequate [*and*] smaller technology.
- **Institutional Bias.** Originating from the "utility approach", more appropriate institutional alternatives for small communities are disregarded, such as the community-based or the private sector involvement.
- **Institutional Inadequacy.** The GOJ has tried to delegate management to the Parish Councils (PC) as an alternative to the NWC, but these local organizations in most cases cannot handle the responsibility for potable water provision.

As part of the WSP the GOJ defined access to safe water and appropriate sanitation to the rural population by 2005, including upgrades of minor systems, better



efficiency of operations, and additional resources to the sector as the main priority for the country. To achieve these objectives, the WSP aimed to: (i) set up community participation in the operation and management of smaller water and sanitation systems as the main vehicle for service improvement; (ii) define a uniformed tariff policy for urban and rural areas, while allowing subsidies to the poor; and (iii) encourage private sector participation. To the end, the loan proposal was developed based on the following innovative principles:

- **Community Participation.** A proactive role for rural communities in projects' conception, construction and administration.
- **Targeted Subsidies.** Rather than funding for new systems by the NWC, it defines and targets subsidies to rural poor population according to explicit and transparent rules.
- **Institutional Flexibility.** The institutional structure would be defined through a dialogue between the communities and the MOWH according to the local conditions and community needs.
- **Private Sector Participation.** Possible private sector involvement in the systems' construction, operation and maintenance under the "build-operate" (BO) concept.
- **Viability.** Systems are financed based on economic, financial, environmental, and technical viability.
- **Local Ownership.** Communities have the possibility to own, as well as operate and maintain the systems.

The project was designed according to these principles, but its implementation suffered from poor dialogue between the communities and the MOWH. Additionally, the systems built under the project were not well selected to provide the demonstration effect for the wider use of the community-based modality for water supply systems to small communities and the tariff charges required for their operation turned out to be too expensive for the communities to sustainably operate. Consequently, the MOWH made a decision to hand over three of the five systems to NWC for operation and administration; one was handed over to the PC and the other – a rainwater catchments system – remained with the community.

b. Project Description

i. Development Objective

The general objective of the Rural Water Program was to improve the sanitary and health conditions in poor rural areas by increasing coverage of potable water and sanitation services – defined as such in the Jamaica Poverty Map (JPM) issued by the Planning Institute of Jamaica (PIOJ). The purpose of the project was to reduce waterborne diseases in rural communities of Jamaica, based on the community participation principle.

To meet the objectives, the project included the following three components.



ii. Components

1. **Potable water projects:** This component included the construction of ten (10) water systems and individual sanitation schemes for single communities or group of communities. This component contemplated the cost of design, materials, construction, installation, supervision and commissioning of the systems. The average population of the beneficiary communities was estimated to be 6,000 (amended from 4,000) with a customer base of 1,500, translating into US\$675 per capita cost (amended from US\$400 per capita cost) for the systems, including both potable water system with household connections and individual solutions for wastewater disposal.
2. **Community and private sector participation:** This component was to finance all the necessary activities to advertise the project, implement the Community based Water Organizations (CWO), and assist them in the project contracting with third parties. This component was also to finance the activities necessary to promote the private sector initiative and the design and implementation of the resulting contracts.
3. **Institutional strengthening of MOWH:** This component was to strengthen the MOWH's role as promoter of the expansion of potable water services in rural areas. In particular, this component was to provide support to assist MOWH in applying the philosophy of the Rural Water Program as well as design the institutional framework for expansion and administration of services in order to accelerate present and future increases in the coverage of rural water in the country.

III. Results

a. Outcomes

Five (5) water supply systems were constructed under the project, each with its associated CWO representing the community groups (i.e. each CWO represented more than one community). The selection criteria were applied only to two community groups – Cotterwood and Mile Gully – and only to a limited extent because they were both within the original sample of four community groups (along with White Horses and Gravel Hill) that were considered during project preparation. Outstanding information for Cotterwood and Mile Gully was submitted during the execution of the project. Gibratore was selected without using the first come first serve principle because there was financing for only one small system and it was deemed unwise to advertise for this alone.

Two systems, Cotterwood and White Horses, were completed to functional level during the execution of the project. Mile Gully and Gravel Hill were at approximately 90% of the works completed at the close of the disbursement period. The Gravel Hill system has since been completed; but as of September 2010 the Mile Gully system remained incomplete. For Gibratore, the project provided water tanks for households and the school for rainwater collection and storage during the dry season when water has to be trucked to the community. All of the water supply systems were constructed with the active involvement of their CWO; but at the end of the project only the Gibratore



system, which is the only non-conventional system, is being “operated and administered” by the CWO. The MOWH deemed the tariff of the four electromechanical systems to be unaffordable by the communities and turned the operations and maintenance responsibility over from the CWOs to the NWC in cases of Cotterwood, White Horses, and Gravel Hill; and to the St. Mary PC in Mile Gully.

On the sanitation side, eight (8) individual solutions were constructed at project cost. These were all done in Cotterwood and the beneficiaries were selected based on the criteria of age and indigence. For White Horses/Botany Bay/Pamphret, the project assisted with sourcing financing from The United States Agency for International Development (USAID). Sanitation solutions for Mile Gully and Gravel Hill were not realized due to delay the construction of the water supply systems.

With respect to private sector participation, it turned out that the same contractor won the bids for the first two water supply systems – Cotterwood and White Horses. Both contracts were for the construction and operation of the water supply systems. While implementing the administrative services to provide full water utility service for these projects the MOWH decided to hand over their operation to NWC. Consequently the MOWH had to agree on compensation with the contractor/operator for termination of contract, which for Cotterwood is completed. However, in the case of White Horses, the matter is further complicated by the unwillingness of the CWO to relinquish their right to the water supply system. In the Exit Workshop the MOWH informed that they are working with the CWO to resolve the issue.

Regarding institutional strengthening of the MOWH, equipment (mainly computers and office equipment) was purchased for the MOWH. Training in the use of selected computer software was conducted for MOWH staff, and the project sponsored overseas training in community development, private sector development and policy execution for selected MOWH staff. These interventions, however, have not translated into the establishment of institutional framework in the MOWH for the expansion and administration of water services in rural Jamaica.

ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)	
Development Objective(s) (Purpose)	Key Outcome Indicators
<p>The general objective is to improve the sanitary and health conditions by increasing coverage of potable water and sanitation services in poor rural areas – defined as such in the JPM issued by the Planning Institute of Jamaica (PIOJ).</p> <p>The purpose of the project is to reduce waterborne diseases in rural communities of Jamaica based on the community participation principle. The specific characteristics of the project are to: (i) develop and implement a community-based approach to conceptualize, co-finance, administer, operate and maintain water services in rural Jamaica; (ii) support autonomous, legally constituted CWO created to provide these services; (iii) allow the private sector to get involved in the construction and future operation and maintenance of the systems; (iv) extend the coverage of potable water and basic sanitation systems to small communities that lack such services and ensure their sustainability; (v) strengthen the main institutions – the MOWH – responsible for developing policies for the expansion and administration of services in order to accelerate their coverage in rural areas; and (vi) generate a “demonstration effect” to implement the project’s philosophy in other areas of rural Jamaica. The project was</p>	<ol style="list-style-type: none"> 1.1 Coverage of water supply in 5 poor rural areas of Jamaica increase by approximately 1%; i.e. 12,000 inhabitants 1.2 Community-based with private sector involvement operation and administration of water supply systems 1.3 Institutional arrangement in place for MOWH to carry out expansion of rural water supply systems according the Project’s philosophy

expected to benefit approximately 25,000 inhabitants.

Classification: LP

<u>Baseline</u>	<u>Planned Outcomes</u>		<u>Outcomes Achieved</u>
	<u>Intermediate</u>	<u>End of Project</u>	
1.1B 0 (2002)	1.1I 2 (2004)	1.1E 5 (2007)	1.1 4 (2010)
1.2B 0 (2002)	1.2I 5 (2004)	1.2E 5 (2007)	1.2 1 (2010)
1.3B 0 (2002)	1.3I 1 (2005)	1.3E 1 (2007)	1.3 0 (2010)

Reformulation. [N/A]

PPMR Retrofitting. Indicate if and when the PPMR was retrofitted and explain any changes resulting from this exercise.

[Yes]

In 2005 the number of beneficiaries was reduced from an estimated 25,000 to 12,000. The exact number of the reduction cannot be ascertained because baseline surveys were only conducted for the areas where the Project was scheduled to work during Project implementation. The number from these areas is about 50% less than that in the Project Report, which was estimated during project preparation. Additionally, the number of water systems was reduced from an estimated 10 to a confirmed 5. In the Project Budget exercise in 2006, held just after US\$2 million was canceled from the project due to fiscal tightening of GOJ finances, the executing agency confirmed that the construction of an additional small, non-conventional, water supply system was possible.

Summary Development Objective(s) Classification (DO):

[] Highly Probable (HP)

[] Probable (P)

[**X**] Low Probability (LP)

[] Improbable (I)

Briefly justify DO classification, based on degree to which planned targets were met, explaining the differences between planned and achieved outcomes as well as any other relevant factors. Include references to evidence that can support these results.

- 1.1 This project attempted a modality of providing water to rural communities in Jamaica by way of an investment made by the GOJ (90%) and communities (10%) for the construction of water supply systems with the involvement the private sector in a build-operate arrangement. This type of investment partnership had never occurred in Jamaica and the approach under the project was to serve as a demonstration effect for expansion of coverage of water supply. Five systems were constructed, largely along these lines, and four (4) completed benefitting approximately 7,420 inhabitants. If the project was only to increase coverage of potable water and sanitation services, by this indicator, the project would be a success.
- 1.2 Community water organizations were to be formed and legally registered to participate in the conceptualization, planning, execution, operation, administration and maintenance of the works in order to assure the project's sustainability. As per one of the innovative principles of the project, this was an opportunity for communities to own, as well as operate and maintain their systems. The project was implemented according to this design, and this was the understanding between the CWOs and the executing agency. But when calculating the tariff for the first system (Cotterwood in 2006), which had to include the purchase of bulk water, the tariff exceeded that of the NWC supply in neighboring communities; hence the GOJ took the decision to hand over this system to the NWC. The second system (White Horses) was completed in 2007 and, while they got off to good start, the operation was impacted by the fuel price hike in 2008, which made their tariff beyond that of NWC. The other three systems (Gravel Hill, Mile Gully and Gibratore) lagged behind in their construction due to delays in complying with the criteria for selection and as well as the required procurement. For the two piped (electromechanical) systems (i.e. Gravel Hill and Mile Gully), it was estimated that it was not economically viable for them to be administered under the community-based concept and the Minister advised the Bank in Q2 2009 that three of the four piped systems built under the project (i.e. Cotterwood, White Horses, and Gravel Hill) would be handed over the NWC for operation and the fourth (Mile Gully) to the PC. Thus only the one non-conventional system (Gibratore) maintained the community-based concept.
- 1.3 The MOWH was to be strengthened to expand rural water supply systems according the project's philosophy, but this did not happen. While the MOWH in 2004 submitted to the Bank a proposal for the Rural Water Supply Company (RWSC), which was to be formed by a merger of Carib Engineering and the Rural Water Program PIU for this purpose, the Permanent Secretary informed in a meeting in December 2008 that the MOWH did not implement the RWSC according to this arrangement. The MOWH explained in the Exit Workshop that there was a shift in Policy at the Ministry.

Country Strategy. Given the results described above, briefly discuss how the project contributed to the Bank's strategy in the country.

Given the LP classification of the project DO described above, the project would not have contributed positively to the Bank's strategy in Jamaica. The Bank's strategy for the water and sanitation sector of Jamaica needs to be reformulated.

b. Externalities

For the Cotterwood system, the cost of purchasing bulk water was not factored into its design, leading to the unanticipated additional cost to purchase bulk water. Because bulk water could not be sold/bought at a discount rate, the cost recovery became much more expensive than planned for Cotterwood. For White Horses, fuel price fluctuations



VPC/PDP

PCR April 2006

became a critical challenge to the sustainability of this community-based system, and subsequently for others. This resulted in the MOWH taking a decision to turn over the operation and administration of the Cotterwood system to the NWC in December 2006, and the White Horses and Gravel Hill systems in July 2009; Mile Gully was turned over to the St. Mary PC at the same time in 2009. The MOWH informed that this would facilitate cross subsidies as well as insurance, which would not be possible for stand-alone community systems.

c. Outputs

Potable water systems: Four piped water supply systems were constructed plus one non-conventional. The implementation of this component from an engineering point of view was not expected to be difficult. The reality was, however, that between 2003 and 2005, the GOJ was facing serious fiscal problems which resulted in delayed execution and the cancellation of US\$2 million from the project. This component was also affected by a wider contextual problem whereby the construction works were undertaken by the executing agency as a project and not as the program it was planned to be within Component 3: Institutional Strengthening of the MOWH. The financial constraints caused delays in implementation of the works and, in order to improve the financial viability of the water supply systems, the Bank approved adjustments to the selection criteria.

Community and private sector participation: With respect to its implementation, this component was derailed by the decision of the MOWH to transfer the water systems constructed under the project to the NWC and St. Mary PC. The cooperation that started between the private sector contractor and the CWO, as well as the duties of a CWO, were both nullified by this decision.

Institutional strengthening of the MOWH: An institutional strengthening plan for the MOWH was approved by the Bank in July 2003 and some activities, such as the procurement of equipment were completed. In Q3 2004 the Bank granted its non-objection to a proposal for the establishment of the Rural Water Supply Company (RWSC). The aim of the RWSC was to be responsible for designing and supervising water systems for poor, rural communities and to take over responsibility for implementing the project. The RWSC was to be formed from the merger of Carib Engineering and the Project Implementation Unit (PIU). While the RWSC was legally registered and became operational in Q2 2006, the MOWH did not form the Company according to the proposal submitted to the Bank.

IMPLEMENTATION PROGRESS (IP)	
Components (Outputs):	
1. Component 1: Private sector and community participation in construction, operation and maintenance of community-based water systems: Total cost of Component 1: \$6,072,785.41 Counterpart: \$816,698.00 IDB: \$5,256,087.41 IDB Disbursement: 87% <u>Classification:</u> U	



Key Output Indicators:

- 1.1 Private sector companies (PSC) that provide water services under a BO modality for construction of 4 water systems are contracted.
- 1.2 CWOs trained by the PSC in operation and maintenance of their water system.
- 1.3 Implementation of Rural Water Projects following the principles of the project by at least one lender or in a donor program other than the IDB.

Planned Outputs			Outputs Achieved
<u>Baseline*</u>	<u>Annual/Intermediate</u>	<u>End of Project</u>	
1.1 B 0 (2002)	1.1 I ____ (date)	1.1 E 4 (2007)	1.1 0 (2010)
1.2 B 0 (2002)	1.2 I ____ (date)	1.2 E 4 (2007)	1.2 1 (2010)
1.3 B 0 (2002)	1.3 I ____ (date)	1.3 E 1 (2007)	1.3 6 (2009)

* (if applicable)

Briefly explain differences between planned and actual outputs (if applicable).

- 1.1 A private sector contractor was hired under a BOT (build-operate-transfer) modality for the construction and operation of both the Cotterwood and White Horses water supply systems. There were several delays for White Horses: the procurement of the contractor started in 2003, and because only one bid was submitted it had to be repeated; the contract was signed in Q2 2005; the construction was completed in 2007. There were also delays in contracting for Cotterwood: this procurement started in 2003; the contract was awarded in Q1 2005. The same contractor won the second contract, hence two systems started under the BOT modality. The Cotterwood system was completed in 2006. As explained above, the tariff for the operation and maintenance of these systems turned out to be higher than the NWC tariff and the GOJ took a decision to hand over the operations and maintenance of these two systems to the NWC. The other two piped systems, whose construction only started in 2009, i.e. Gravel Hill to NWC was handed over to NWC, and Mile Gully to the St. Mary PC. The Gibratore system is not a piped system and did not have a BO modality with a PSC. Consequently, none of the systems have a PSC BO arrangement.
- 1.2 The PSC that was contracted for both the White Horses and Cotterwood systems started training of the CWOs in the operations and management of their water system. Because these systems are no longer to be operated with BOT arrangement with the CWO, this training is no longer of use.
- 1.3 The Jamaica Social investment Fund (JSIF) invested in a similar community-based arrangement but without a PSC. These are managed by the community water organization with assistance from the PC. However, they suffer from poor support from the MOWH.

Restructuring. Indicate if this component was restructured (date of approval by Manager). Briefly discuss the consequences of these changes.

[] N/A

2. Component 2: A community-based approach to conceive, co-finance, administrate, operate and maintain water services developed and implemented in rural Jamaica:

Total cost of Component 2: \$482,813.76

Counterpart: \$247,719.00

IDB: \$235,094.76

IDB Disbursement: 49%

Classification: U

Key Output Indicators:

- 2.1 Legally established CWO for each water system in place.
- 2.2 Each CWO holds its annual general meeting each year as required by the rules of the Cooperatives and Friendly Societies Act.
- 2.3 CWOs trained to functional level in parliamentary procedures, and water and sanitation principles.

Planned Outputs			Outputs Achieved
<u>Baseline*</u>	<u>Annual/Intermediate</u>	<u>End of Project</u>	<u>End of Project</u>
2.1B 0 (2002)	2.1I ____ (date)	2.1E 5 (2007)	2.1 1 (2010)
2.2B 0 (2002)	2.2I ____ (date)	2.2E 5 (2007)	2.2 5 (2009)
2.3B 0 (2002)	2.3I ____ (date)	2.3E 5 (2007)	2.3 1 (2009)

* (if applicable)

Briefly explain differences between planned and actual outputs (if applicable).

- 2.1 One of the criteria for the selection of a beneficiary community under the project was that they have established a legally registered community organization. Hence all five communities had and were represented each by a CWO. However, the decision by the MOWH to hand over the systems to a GOJ entity, with the exception of the Gibratore system, resulted in one CWO established for the purpose of a water supply system.
- 2.2 While the CWOs were largely in compliance of the rules of the Cooperatives and Friendly Societies Act, the role of the CWO for a community-based water system is nullified.
- 2.3 A similar situation obtains for CWOs trained and to functional level in parliamentary procedures, water and sanitation principles.



Restructuring. Indicate if this component was restructured (date of approval by Manager). Briefly discuss the consequences of these changes.

[] N/A

3. Component 3: Institutions responsible for developing the policies for expansion and administration of water services strengthened.

Total cost of Component 3: \$452,192.62

Counterpart: \$279,063.00

IDB:\$173,129.62

IDB Disbursement: 38%

Classification: VU

Key Output Indicators:

- 3.1 The appropriate legal and institutional framework in place and functioning within the MOWH to carry out GOJ's objective in relation to water and sanitation.
- 3.2 Office equipment procured.
- 3.3 Staff trained in community development, private sector development, and policy execution.

Planned Outputs			Outputs Achieved
Baseline*	Annual/Intermediate	End o Project	End of Project
3.1B 0 (2002)	3.1I ____ (date)	3.1E 1 (2007)	3.1 0 (2010)
3.2B 0 (2002)	3.2I ____ (date)	3.2E 40 (2007)	3.2 40 (2008)
3.3B 0 (2002)	3.3I ____ (date)	3.3E 30 (2007)	3.3 20 (2008)

Briefly explain differences between planned and actual outputs (if applicable).

- 3.1 The institutional framework that was to be put in place for the MOWH to carry out GOJ's objective in relation to water and sanitation in rural Jamaica did not happen.
- 3.2 All planned equipment was procured.
- 3.3 Staff training occurred but this has not translated the planned institutional change.

Restructuring. Indicate if this component was restructured (date of approval by Manager). Briefly discuss the consequences of these changes.

[] N/A

Summary Implementation Progress Classification:

[] Highly Satisfactory (HS) [] Satisfactory (S) [**X**] Unsatisfactory(U) [] Very Unsatisfactory (VU)

d. Project Costs

Items	Total Project Cost - Planned	Total Project Cost – Actual	% Difference	Disbursed Amount
01.00.00-ADMINISTRATION & MANAGEMENT	1,405,000.00	1,741,787.52	124%	904,283.52
01.01.00-PROJECT IMPLEMENTATION UNIT	805,000.00	1,722,903.76	214%	885,399.76
01.02.00-SUPERVISION	450,000.00	0.00	0%	0.00
01.03.00-AUDITING	150,000.00	18,883.76	13%	18,883.76
02.00.00-DIRECT COSTS	9,870,000.00	7,007,791.79	71%	5,664,311.79
02.01.00-WATER AND SANITATION SYSTEMS	7,650,000.00	6,072,785.41	79%	5,256,087.41
02.02.00-COMMUNITY & PSP PARTICIPATION	1,720,000.00	482,813.76	28%	235,094.76
02.03.00-INSTITUTIONAL STRENGTHENING	500,000.00	452,192.62	90%	173,129.62
87.00.00-CAPITALIZATION CHARGES	1,225,000.00	746,420.36	61%	656,701.46
87.01.00-F. I. V.	100,000.00	6,000.00	6%	6,000.00
87.02.00-INTEREST	1,050,000.00	650,738.46	62%	650,701.46
89.00.00-CREDIT FEE	75,000.00	89,681.90	120%	0.00
SUMMARY	12,500,000	9,495,999.67	76%	7,225,296.77



Briefly explain any differences.

The total project costs shown in the table above is a summary comprised of Bank and GOJ Counterpart financing – see Annex 3 for details. The differences between the planned and actual project costs are due to: (i) the cancellation of US\$2 million from the Loan; (ii) the replacement of Project Consulting Firms (PCF) for project promotion/outreach with individual consultants; and (iii) extended execution period. The US\$2 million cut resulted in a reduction of the amount for the construction of the water and sanitation systems; only those in the “sample” were constructed. The replacement of the PCF with individual consultants reduced the cost of the community participation activities. The extended project execution period required continued financing of the PIU, hence the higher cost.

There was an amount of \$150,000 of Bank financing for Supervision, which was to augment the supervision duties of Carib Engineering, however the GOJ financed the total cost of supervision of the works. The GOJ also financed what was to be the Community contribution to the construction of the water and sanitation systems.

IV. Project Implementation

a. Analysis of Critical Factors

The critical factors that affected the project during its implementation were: (i) delays in financial allocations, which delayed execution, and implementation of amendments to the loan contract recommended in the Mid Term Review of the project; (ii) the lack of institutional support and the absence of a framework for proper implementation of the project, which occurred in the final years of the project; and (iii) water supply project selection. The fiscal challenges the GOJ was undergoing between 2003 and 2005 when US\$50 million was cancelled from the Bank’s portfolio precluded timely allocation to the project and resulted in a cut of US\$2 million from the project.

In November 2006 the Bank conducted the Project Mid Term Review and found that the costs of construction of the first two systems (Cotterwood and White Horses) were significantly higher than estimated during the preparation stage of the project. It was determined that the difference was explained in part by inflation and the initial estimate of connections. Using the price index for Housing expenses provided by the PIOJ, the Mid Term Mission calculated that prices changed 109% between December 2001 and September 2006; and taking into account that the exchange rate increased 44% in the same period it was determined that the new threshold value for economic viability would be US\$2,431 per connection.

Consequent upon the recommendations of the Mid Term Review, the loan contract was amended to: (i) adjust the eligibility criteria, i.e. increase the population and investment per connection; (ii) allow for force account procurement by the MOWH; and rectify the community contribution and make it 10% of their estimated household income rather than 10% of construction cost. There was a delay between 2006 and 2007 in the submission of the eligibility for bidding for Gravel Hill, Mile Gully, and Gibratore for Bank approval under the new selection criteria, and works did not start until Q2 2009. Notwithstanding, the estimated tariff for Gravel Hill, and Mile Gully systems at the end of the project were still deemed unaffordable by the communities.

One of the innovative principles under which the project was prepared, as stated in the loan proposal was that it left “the institutional definition to a dialogue between the communities and the MOWH, with the expectation of financing schemes according to the local conditions and community needs”. It was acknowledged that the MOWH, being a new ministry, did not have the capacity or experience to implement this



innovative initiative. To mitigate this risk there was to be PCF to assist the MOWH and the PIU with community outreach and strengthening and assist with the implementation of the institutional strengthening for future expansion of services.

The MOWH submitted by letter March 7, 2005 and the Bank agreed that given that only four or five water supply systems were to be built there was no need for the promotion of the project and justified scaling down the project to employ two local individual outreach consultants to assist the PIU/MOWH. This decision also rendered the implementation of the project according to the Operating Regulations redundant. By letter June 22, 2004 the MOWH submitted its plan for the institutional strengthening of the MOWH as well as a proposal for an institutional framework to be responsible for designing and supervising water systems for poor, rural communities and to take over responsibility for implementing the project. The framework was for Carib Engineering to be transformed, via a merger with the PIU, into the Rural Water Supply Company for this purpose. The RWC was incorporated in 2006.

Because of the delay in the completion of the first water supply systems, there was a delay in the demand by the CWOs for support from the MOWH. This delay was further extended when the MOWH took the decision in 2007 to hand over Cotterwood to the NWC. The demand for support from the MOWH came from the White Horses CWO in Q3 2008, when they were informed that they were to take total responsibility for their system by October 2008, and the revenues they were collecting were seen to be insufficient to cover expenses. Furthermore, there was no explicit transition plan for the take over by the CWO. This situation along with information that the office of the PIU no longer resides with RWC prompted the Bank to inquire about the institutional framework that was to have been implemented. To this the Permanent Secretary of the MOWH informed in a meeting with the Bank in December 2008 that the MOWH did not implement the RWSC according to the proposal of 2004. In the Exit Workshop the PS informed that there was a policy shift by the Ministry.

The other critical problems of the project, i.e. cost per connection and tariff, could have been discussed if there was a supportive institutional framework at the policy level as envisaged by project design. Indeed, these issues were anticipated in the loan proposal and experienced by the PIU and the Bank but they did not receive adequate attention by the MOWH. Besides this Rural Water Program, JSIF reported in the Exit Workshop that an institutional arrangement in the MOWH able to support community water supply projects is also required by their projects. For its part, as confirmed by the MOWH, the RWSC is only a change of name from Carib Engineering since its inception in 2006.

The water supply projects selected for investments were all within the sample agreed upon either during project preparation or confirmed during project execution, with the exception of Gblatore. It turned out that three of the four piped water supply systems had existing NWC supply network in the area. This proximity permitted residents to compare the tariff and operational security of the NWC system with that estimated for a community operated system. The systems constructed by project were piped electromechanical systems not unlike those of the NWC and are as costly to operate.

b. Borrower/Executing Agency Performance

In retrospect, the implementation of the project by the executing agency could be explained as occurring in two phases: the early years (2001 – 2006) and the later years (2007 – 2009). In the early years of the implementation of the project (2001 – 2006) the MOWH was very proactive. During this period the loan was negotiated, signed and the project became eligible for disbursement in approximately four months. The Chief Technical Director of the MOWH was the main agent of change, and engaged in strategic thinking regarding the implementation of the project in line with the WSP, and was actively involved in the establishment of CWOs. During this time the memorandum of understanding (MOU) between the MOWH and CWOs were executed according to the elements stipulated in the loan contract.

The PIU was constituted as planned, however the plan for PCF to support the PIU was not implemented as already explained. In 2005 the PIU completed the baseline survey of the project beneficiary communities, which re-established the Project's Performance Indicators. In 2006 the executing agency cooperated with the Bank in conducting the Mid Term Review of the project. Up until 2006 the MOWH participated in the PIOJ Quarterly Review Meetings (QRM).

In the later years of project implementation (2007 – 2009), there was a marked drop in the involvement of the MOWH and the PIOJ QRMs were attended only by the Program Director. In Q3 2008 the Bank expressed deep concern that the institutional goal of the project was not being achieved. On the part of the borrower, the PIOJ wrote in a letter date December 19, 2008 to the Permanent Secretary of the MOWH requesting a formal response on the Bank's proposal for an evaluation of the institutional capacity of the MOWH to support the CWOs as this had not yet materialized. Neither the PIOJ nor the Bank received a response.

Compliance with contractual conditions and financial reporting requirement as the AFS were chronically late and disbursement was suspended in 2008. This was primarily due to poor management structure as a result of which the Accountant never took ownership. The Bank funded assistance at one point to clear the back log of disbursements as they did not submit disbursements on a timely basis.

The loan contract stipulates in Annex A that a Steering Committee at MOWH would advise the PIU for the communities' selection and projects approval. This did not occur because the beneficiary communities were pre-selected as explained above.

Borrower/Executing Agency

☐ Highly Satisfactory (HS) ☐ Satisfactory (S) ☒ Unsatisfactory (U) ☐ Very Unsatisfactory (VU)

c. Bank Performance

In terms of project design, the Bank prepared this project fully aware that this was a new and innovative method for water supply to rural communities in Jamaica at the time. While the GOJ had adopted the WSP and had agreed to this project to provide a demonstration effect for rural water supply by a community-based modality in a wider



scheme to allow for private sector providers in the water sector, the MOWH was newly established and did not have the capacity or experience to implement such a project. As already stated the Bank reasoned with the GOJ and agreed to a reduction in the support required by the PIU/MOWH and approved the contracting of individual consultants instead of PCF.

It was remarked in the Exit Workshop that despite the section in the loan proposal that stated that women would be included in the CWOs, there was no indicator for this in the PPMR and no mention of it in the draft PCR. The reality is that more than 50% of the members of each CWO were women and they remained active throughout the implementation of the project, which confirmed the expectation written in the loan proposal.

The Bank was criticized in the Exit Workshop for poor selection of water supply projects and not anticipating the problem of higher tariffs for the water systems constructed under the project. Also, that the project should not have worked in communities that had water supply systems from the NWC, however poorly those were being operated. It was therefore requested that the selection of the water supply systems be reviewed. In the review it was ascertained that the MOWH requested all of the sample projects, with the exception of Gibratore. Furthermore, the loan proposal made provision for operation of the community water supply system by the NWC if the community so decided, albeit as an operator of last resort.

In Q2 2009 the project was non-compliant with the tariff clause and other contractual conditions, and was in a state of suspended disbursement due to non-compliance with the requirement for Audited Financial Statements. Whereas most of the clauses were within the capacity of the PIU to rectify, including the AFS, which were resolved, given the non-responsiveness of the MOWH the Bank approached the Minister to resolve the tariff clause. The Minister notified the Bank by letter dated August 18, 2009 that the community concept for water supply in rural Jamaica is unsustainable and requested a waiver of the tariff clause, which the Bank approved. In the same letter the Minister informed that the MOWH would welcome Bank's assistance to prepare a master plan for rural water supply and a revision of the WSP.

Bank Performance			
<input type="checkbox"/> Highly Satisfactory (HS)	<input checked="" type="checkbox"/> Satisfactory (S)	<input type="checkbox"/> Unsatisfactory (U)	<input type="checkbox"/> Very Unsatisfactory (VU)

V. Sustainability

a. **Analysis of Critical Factors**

The critical factor for the sustainability of the community-based modality that was tested in this project is the role of the Ministry. Because of the absence of meaningful dialogue between the MOWH and the CWO the relationship started under the project could not be sustained. Exacerbating the situation was the tariffs, required to make the water supply systems that were constructed viable, were higher than that of the NWC, the de facto national standard. Hence the issuance of licenses for private water supply



was suspended. This situation now either eliminates the community-based modality for water supply in rural Jamaica as an option or requires a re-visit of this modality.

Nevertheless, although the project did not achieve its development objective in the prescribed manner, i.e. via a community-based modality, the project constructed four water supply systems plus a non-conventional one, and nine communities now have water – a real prospect for water – that would not have happened without the project.

b. Potential Risks

Given that these systems have been handed over to the NWC and one PC, which, as explained in the Exit Workshop, the PC has requested the NWC to take over, the risk is that they will not be maintained due to poor financial viability and collection. It is probably safe to assume that these systems will not be maintained, as if they were community managed, especially if the beneficiaries do not pay the prescribed tariff.

c. Institutional Capacity

Institutional capacity is non-existent, as already explained and requires a revisit.

Sustainability Classification SU:

<input type="checkbox"/> Highly Probable (HP)	<input type="checkbox"/> Probable (P)	<input checked="" type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)
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VI. Monitoring and Evaluation

a. Information on Results

The Bank's Country Office conducted the monitoring and supervision of the project as stipulated. The semestral reports and annual work plans were submitted by the PIU and reviewed and approved by the Bank, but the timelines often turned out to be hindered and not realized. By consulting service contracted by the PIU, baseline data was collected for each beneficiary community under the project. This was completed in 2005 and included data on demographics, water quality and health indicators. These indicators were used in the Comparative Data Report which was due annually. Because of the slow implementation progress to construct five water supply systems, three of which were done in the last year of the project, the Comparative Data Report was static for significant periods of time. At the conclusion of the project two of the systems had not yet been commissioned, so the total population that benefited will only be ascertained in late 2010.

b. Future Monitoring and Ex-Post Evaluation

Future monitoring of the operation and maintenance of the systems constructed under the project would be beneficial. Given past experience of weak institutional capacity of the PC pertaining to water services, and the urban bias of the NWC, this would help to inform the rethinking of providing water to rural communities in Jamaica.

Regarding ex-post evaluation, the loan contract states that the GOJ is to decide at the end of the project if it will conduct an ex-post evaluation. However, in order to facilitate the availability of data for an eventual evaluation of the efficiency and



effectiveness of the project in achieving the stated objectives and to utilize the lessons learned from the experience, the loan contract stipulates that the executing agency will submit to the Bank a brief on each of the communities that benefitted from the project. This brief is to be submitted on an annual basis after the final disbursement for at least three (3) years following the project's completion. The loan contract also stipulates the information to be included in the brief.

VII. Lessons Learned

1. When demand-driven projects are contemplated in communities that already have service from the national water utility it is unwise to expect people to accept to pay a higher rate (even if it is for superior service) when others in the same community are paying lower rates. In these cases, the tariff on the private system will have to either be lower than those of the public system or the public system should be decommissioned as a condition for building the private system.
2. When selection criteria include specific dollar amounts, care should be taken to also include provision for allowance for price adjustments to take account of inflationary effects. This is particularly the case when execution is delayed. In this case, and pursuant to the loan proposal approved by the Board of Executive Directors, specific amounts were stipulated in the loan contract with no provision for adjustments without seeking a contractual modification. Another option would be to not include this sort of specific parameter in the loan contract and put it in the Operating Regulations instead.
3. When vital factors such as community contribution to the construction of water systems are included in the loan proposal as a percentage of the communities' capacity to pay, more care should be taken when drafting the loan contract to ensure that this is not modified. In this case, it was erroneously changed to a percentage of the construction cost.
4. The migration of a CWO from volunteer status to one of a business model should be planned. This would reduce skepticism, allow for building of trust/confidence, and allow for a transparent transition.
5. Engaging key community persons as change agents is critical not only for community buy-in but also for the community to attain a sense of ownership. The process to realize the construction of a community water system take time and commitment, and is filled with opportunities for skepticism; in such situations the change agents are the ones most critical to maintain community focus, commitment and optimism.
6. At the end of it all, if the executing agency is not committed to the plan to institute change, and relegates the activities only as a project and not as a process to institutionalize the change, the effort will not achieve the planned results.





Minutes of Exit Workshop

Location: Conference Room of IDB Jamaica Country Office
Meeting Start: 9:30 a.m.

Present were:

Name	Organization	Email	Telephone
Albert Gordon (AG)	NWC	albertc.gordon@yahoo.com	822-0865
Douglas Wilson (DW)	RWSL	douggwil@yahoo.com	908-2955
E.G. Hunter (EH)	NWC	everton.hunter@nwc.com.jm	926-1393
Evan Cayetano (EC)	IDB	evanc@iadb.org	764-0823
Geneva Hibbert (GH)	MOWH	ps@mwh.gov.jm	754-2853
Sandra Buchanan (SB)	MOWH	Sandra.Buchanan@mwh.gov.jm	926-1590
Gerard Johnson (GJ)	IDB	gerardj@iadb.org	764-0833
Glaister Cunningham (GC)	IDB	glaisterc@iadb.org	764-0838
Hermoine McKenzie (HM)	ConSoc Ja	hrmnover@yahoo.com	927-9437
Ian Gage (IG)	PIU/MOWH	houtie1@hotmail.com	815-1111
Julian Belgrave (JB)	IDB	julianb@iadb.org	764-0831
Linnette Vassell (LV)	PIU/MOWH	l.davisvassell@gmail.com	399-4280
Morin Seymour (MS)	ConSoc Ja	krc@cwjamaica.com	922-3126
Omar Sweeney (OS)	JSIF	omar.sweeney@jsif.org	929-1620
Reynaldo Thompson (RT)	PIOJ	rthompson@pioj.gov.jm	935-5087
S Haughton (SH)	MOWH	sagynych.haughton@mwh.gov.jm	968-3258

No.	Note	Action
1.0	EC Welcomed the attendees and outlined the agenda for the workshop. Apologies were received from Water Resources Authority (WRA), and the Office of Utilities Regulations (OUR). Ministry of Finance was not represented.	EC/GH
2.0	EC made a presentation on the on the project as it was conceptualized. IG then presented on the Implementation and outcomes of the project. The following outlines the main points discussed in the meeting.	
3.0	GH commented on the absence of representation from the Benevolent Societies in the workshop. EC explained that there seemed to have been a misunderstanding regarding who would invite them but that a separate meeting will have to be convened with them and that the PCR would not be completed without their input. <i>The Exit Workshop with the CWOs was conducted on September 13, 2010</i>	
4.0	GH asked if the Bank had executed similar projects in other countries. EC responded that the Bank had done similar project in Latin America, significant differences however being the demographics and large geographic spread between rural and urban populations in Latin countries compared to closer proximity in Jamaica where it may be difficult to	

separate urban from rural communities.

No.	Note	Action
5.0	AG challenged the idea in the Loan Proposal (L.P.) that there was a bias toward urban systems. He advised that in the late 1990's the National Water Commission (NWC) did most of its expansion in rural areas. EC responded that the comment was not a critique of NWC's business model but seeks to set the context within which the project was conceptualized. IG added that the term 'rural' as used in the Loan Proposal may refer to deep rural 'township' areas without the critical mass to justify NWC investment.	EC
6.0	GH pointed out that many of the communities selected actually had existing NWC systems and that one of the main problems of the project was poor project selection. EC opened the floor for discussion on the selection process. Following a query by AG, EC informed the meeting that some research would be done to determine how the final projects were selected. <i>A review of the Jamaica Rural Water Programme – Second Draft Final Report was reviewed and it was found that the MOWH chose the projects for the pilot phase (i.e. the samples). The Consultants stated that due to a lapse in the communication between the IADB, the MOWH and the Consultants, the extent to which community participation was acceptable to the MOWH was not clear to the consultants. A copy of the Report was shared with the MOWH at the occasion of the Exit Workshop with the CWOs.</i>	
7.0	EH advised that he had to leave the meeting early and as such wanted to make a few comments, as follows:	
7.1	The Water Sector Policy (W.S.P) pre-dated the loan and as such outlined the mandates of each player in the water sector; the report did not state that clearly.	
7.2	The rural water projects had already been failing when they were handed over to the NWC. They were done well in terms of infrastructure, however not so well in terms of planning for sustainability (operations, maintenance, collections etc). EC/GJ responded that the Rural Water Supply Limited was supposed to be the vehicle to ensure this sustainability.	
7.3	The NWC had been examining the W.S.P and had taken note of several of its deficiencies, including: <ul style="list-style-type: none"> i. It is infeasible to have more than one water service provider in the same physical area, or sharing a boundary. If there are differential rates is this acceptable? ii. Collection – how is this done? iii. Switching providers – what is the mechanism for this? 	
8.0	GH advised that the policy going forward (as declared by the Minister) is that there will be no private sector participation in water. The W.S.P is being revised to include this.	
9.0	GJ asked how the JSIF handled its projects. OS responded that the JSIF systems are constructed on the basis of different criteria, such as poverty alleviation, disease prevention etc. They are also done for much smaller populations. He advised that the projects are handed over to the Parish Councils upon completion and that the operations of the systems are done jointly between the Parish Councils and the CWO's.	
10.0	GJ queried whether the MOU's between the MOWH and the CWO's included the contractual requirement (Annex – section 3.05) of agreement on tariff amounts. After some discussion it was determined that the MOU between the MOWH and the CWO's specified the obligation of the CWO's to pay the resulting tariff "according to guidelines". It would not be possible to specify tariff amounts beforehand since they included operation and maintenance costs.	

11.0	EC requested that the Ministry prepare its own report on the project as a pre-requisite to the completion of the PCR. GH agreed.	GH
12.0	Regarding the achievement of outputs, as recognized in the final Project Performance Monitoring Report (PPMR), Item 1.3 in the section on Implementation Progress – ‘Implementation of Rural Water Projects following the principles of the project by at least one lender or in a donor program other than the IDB’, OS informed that the JSIF has projects of this type with financing from the EU, WB and OPEC.	
No.	Note	Action
13.0	GJ pointed out that despite the section in the L.P that stated that women would be included in the CWO’s, there was no indicator for this in the PPMR’s and no mention of it in the PCR. EC acknowledged the absence of this information and stated he would address this in the PCR. Notwithstanding this omission, it was acknowledged that the PIU was staffed with a Community and Gender Specialist who herself confirmed that much of her work with the CWO’s was with women. <i>PCR now includes a reference to women’s participation</i>	EC
14.0	GJ referred to section 9.01 of the Annex of the Loan Contract which required the Executing Agency to submit briefs on each community on an annual basis for 3 years following the close of the project. Discussion ensued regarding the usefulness of this requirement and GH requested that this be waived. The MOWH will justify this waiver request.	GH
15.0	The discussion progressed into the lessons learned.	EC
15.1	AG suggested that the PCR should include the lessons learned from issues arising from Bacchus contract and its structure. <i>The terms and conditions of the Contract between Bacchus Engineering and the MOWH for the White Horses system is to be clarified by the MOWH as they finalize arrangement for the operation of the system with NWC and Bacchus.</i>	
15.2	IG added that more analysis should be done during design regarding the legality of the desired outcomes from projects.	
16.0	It was noted that that the development objectives stated in the PCR were different to that of the Amendatory Loan Contract. EC will correct this. <i>The extended Project Objectives as written in the Loan Contract is now reflected in the PCR.</i>	EC
16.1	A discussion ensued regarding whether the objectives of the project were achieved and whether the original position of the Bank (being that the project did not achieve them) was correct. This is to be further reviewed. <i>After another review, the original assessment remains.</i>	EC
16.2	GH requested that the MOWH’s letter of July 16 th , 2010 commenting the draft PCR be withdrawn. A new response will be submitted by Monday, August 23 rd , 2010.	GH
17.0	EC/GJ queried why the institutional arrangement for sustainability of community-run rural	GH

	water supply projects that was presented to the Bank in 2004 was not followed through. Discussion ensued amongst the MOWH personnel and it was decided that an explanation of this would be included in the report to be presented by the MOWH.	
18.0	AG posited that enough initial analysis was not done regarding: <ul style="list-style-type: none"> i. The arrangements for implementation between CWO/MOWH/IDB ii. The viability of the systems before initiation iii. The institutional arrangement for sustainability 	
19.0	EC acknowledged receipt of the endorsement of the request for a grant to support the preparation of a Rural Water Master Plan. He advised that he would prepare the documentation to seek the grant funding. He committed to submitting the draft by September 1 st , 2010.	
19.1	After some discussion it was decided that the MOWH would execute the proposed Rural Water Master Plan.	
19.2	All agreed that the results of the plan could be used to inform the update of the Water Sector Policy.	EC

Loan 1360/OC-JA: Rural Water Programme

Exit Workshop with CWOs

Minutes

Date: September 13, 2010

Persons Present:

Name	Organization	Email Address	Contact Number
S. Haughton	MWH	sagynych.haughton@mwh.gov.jm	
Linette Vassel		l.davisvassell@gmail.com	
Sheila Kerr	WBP/DBS	sheilakerr71@yahoo.com	703-5056/884-0000
Michael Santouse	WBP/DBS		425-4945/7055352
Patricia Baker	WBP/DBS		864-7220/7035812
Leonard James	WBP/DBS		461-5026
Wayne Shaw	Gravel Hill Comm. Ben. Society	Wayneshaw74@yahoo.com	309-6906/
Delroy Fothergill	Gravel Hill Comm. Ben. Society	gravelhillcbs@yahoo.com	895-2158
Dionne Combs	Mile Gully/Warwick Castle Ben. Society		379-9132
Steve Reid	Ministry of Finance		
Ian Gage	RWP-PIU		
Hernetta Gordon	Mile Gully/Warwick Castle Ben. Society		848-6450
Renaldo Thompson	PIOJ	Reynaldo_Thompson@pioj.gov.jm	
Leah Francis	Rural Water Program	affilica3@hotmail.com	929-7368
Winston Simon	Rural Water Program	simonpeterwi@yahoo.com	304-5301
Geneva Hibbert	MWH		
Keisha Tyrell	MWH	Keisha.tyrell@mwh.gov.jm	926-1590
Patricia Snow Young	MWH	Patricia.snow@mwh.gov.jm	926-1590
Evan Cayetano	IDB	evanc@iadb.org	764-0816

Glaister Cunningham	IDB	glaisterc@iadb.org	764-0816
Sasheca Soares	IDB	sashecas@iadb.org	764-0816

Due to delay in arrival of the Mile Gully/Warwick Castle Benevolent Society and the Gravel Hill Benevolent Society caused by inclement weather the meeting commenced at 10:23 a.m. The meeting started with Evan Cayetano (Sector Sr. Specialist) introducing himself and asked others to do the same. Mr. Cayetano explained that the purpose of the meeting was to hear from the beneficiary stakeholders. He explained that due to miscommunication between the Bank and the Ministry of Water and Housing, the invitation was not delivered to the community groups; so this meeting was specially organized for this purpose.

Glaister Cunningham (Operations Senior Analyst) gave greetings on behalf of the Bank's Acting Representative, Mr. Julian Belgrave. Mr. Cunningham stated that the Bank needed and valued the input of the Benevolent Societies. He also explained the importance of this to the Bank and for the Completion of the Project Completion Report (PCR). These points were reiterated by Permanent Secretary, Ms. Genefa Hibbert, in her address to the group.

Mr. Cayetano presented the reasons for an Exit workshop and its stipulated timing as required by Bank Policy. He also explained the role of the Ministry of Finance and the Planning Institute of Jamaica in all IDB projects. Mr. Cayetano then made a presentation on the Project Concept contained in the Project's Loan Proposal. It was noted during the presentation that the beneficiaries of the Project should have been 25,000 persons. After concluding the opportunity was given to ask questions and make comments.

Following the agenda, Mr. Ian Gage (Programme Director) presented on the Programme/Project components and the execution phase of the Project. All of the water supply systems were explained and their current status. He explained that due to a reduction in the Loan amount and the beneficiary population is approximately 12,000 at the end of the Project. Mr. Gage mentioned that one of the Water Supply System, specifically Cotterwood, was handed over to the National Water Commission (NWC) after its completion in 2006.

The floor was then opened for questions and comments.

Comments, Questions & Answers

White Horses/Botany Bay/Pamphret (WH/BB/P)

- *WH/BB/P Benevolent Society stated that the NWC was never a part of the initial program. Was there any ammendment made to the contract or was there a devised plan for this to happen?*

Mr. Gage pointed out that in the Loan documents it is mentioned that as a last resort the NWC can be brought on board to assist with the operation and maintenance of the water supply systems if the

communities preferred this arrangement. It was also pointed out that a tariff was to be set by the Office of Utilities Regulation (OUR) that the Benevolent Societies would be obliged to follow. However, the Minister of Water and Housing wrote to the Bank informing that the estimated tariffs for the systems under the Project were more than the communities would be able to afford and therefore requested that the tariff clause in the Loan Contract be waived and for the NWC to manage the water supply systems constructed under the Project.

- *Mr. James, a member of the Benevolent Society for White Horses/Botany Bay/Pamphret (WH/BB/P) suggested that they would like to receive the go ahead from the NWC to provide water to the EAST of Yallahs because they are currently operating at ¼ of their capacity. They can provide 19,200 household with water, which would make their water supply system more viable if they were able to provide water to these communities.*

Mr. Gage explained that for the WH/BB/P system a wider customer base would indeed make the system more financially, but expanding to **Rosel**, for example, would require investment in laying pipes. Explanations were provided on how the \$800 Tariffs were arrived at in 2007 and how it would have had to increase drastically to (X) due to oil price increase in 2008. Mr. Cayetano stated if the WH/BB/P Water Supply System was to be expanded to nearby communities the question of community operated water systems in Jamaica and involving the additional communities in the Benevolent Society would have to be answered by the Ministry of Water and Housing.

- *It was mentioned by the Permanent Secretary that Mr. Gage's presentation should have had more analysis and explanation of the problems with Cotterwood.*

Mr. Gage declared that these problems and lesson learned from the Cotterwood experience were passed on to the other Benevolent Societies in several work shop.

- *The representative from the Ministry of Finance asked if there were any problems / flaws in the initial design from the IDB perspective.*

There were some flaws with the Cotterwood system stated Mr. Cayetano to have the water source be one from NWC. The problem this would pose, whereby the sale of bulk water at a discounted rate would not be authorized by the OUR, was not anticipated. It was noted that in the Second Draft Final Report for the Rural Water Programme prepared by COWI Consultants it was recommended that the NWC and the communities involved could build a relationship and have an agreement. This however, did not happen because the NWC did not agree to these terms.

- *Mr. Santouse, Chairman of the Whitehouse Benevolent Society, stated that it is his belief that the system was initially design for the takeover of the NWC.*

Regarding the operation of the WH/BB/P Water Supply System, the question was posed whether the expenses are being covered?

The WH/BB/P Benevolent Society members stated that they are not meeting the expenses because of the pronouncement of the Minister of Water and Housing to hand over the operation of the system to NWC. They also stated their lack of trust in the NWC and the possibility of an increase in the charges which they are already unable to pay.

P.S. Hibbert commented that a meeting was held a month ago in which suggestions were made to have WH/BB/P Benevolent Society work with the NWC to resolve the issue.

A question of the rate compliance with payment by residents of the WH/BB/P area was asked?

The WH/BB/P Benevolent Society stated that compliance is reasonable; however, 20 people were disconnected due to non-payment of bills. The Benevolent Society informed that Bacchus Engineering Company continues operating the WH/BB/P water system, however gave no details of the status of this contract. The Ministry of Water and Housing inform that they have outstanding claims from Bacchus Engineering and were uncertain how to deal with them. Mr. Cayetano explained that Bacchus' contract is between this engineering company and the Ministry of Water and Housing, which is also signed by the Benevolent Society. It was explained that Loan funds financed the construction cost and that the operation and maintenance costs were to be met by tariffs.

The WH/BB/P Benevolent Society informed that they have not been advised of the Completion Certificate from Bacchus Engineering. They also inform that they received from a letter from Mr. Gage in August (?)2009 informing that the WH/BB/P Benevolent Society was to return J\$22 million to the Ministry. These monies, however, were reportedly used to pay electricity bill.

It was agreed that the state of the finances of the WH/BB/P Water Supply System would be ascertained by the Ministry of Water and Housing

Mile Gully, St. Mary

Mile Gully's hilly topography was explained and it was noted that the water supply system is not yet functional and that it was to be handed over to the Parish Council. It was reported, however, that the Parish Council wrote to the Minister of Water and Housing advising that they would prefer the NWC to manage the system. Ms. Gordon a member of the Mile Gully/Warwick Castle Benevolent Society stated that the members of their Benevolent Society are divided in terms of their views on whether the NWC should take over the management of the system. They also requested that a timeline be given for the finishing of this project.

Ms. Gordon informed that the estimated tariff for the Mile Gully system is currently J\$1600 and the community members are currently irritated by this due to the fact that they are not accustomed to paying bills. It was pointed out that the St. Mary Parish Council has not accepted the handover of the Mile Gully Warwick Castle because of close relations the Council has with the residents which would

preclude strict collection and the Council does not disconnect water supply because this would mean disconnecting their voters.

Gravel Hill, Clarendon

It was reported by the Chairman of the Gravel Hill Benevolent Society that the water system is now being managed by the NWC. He informed that since this take over, the NWC has stated that delinquent customers from the old system will not be placed on the new water supply system without payment of monies owed. It was stated that it would cost the new customers an amount of J\$6000.00-\$8000.00 to come on board to the new system. Wednesday, September 15, 2010 is the cutoff date for registration.

An issue in point, is the ability of the customers to pay for the water supply, especially the connection fee. It was suggested that the connection fees be included in the bill each month until the amount required is paid in full.

Provision for Monitoring

Based on the Loan Contract maintenance reports for each of the water supply system constructed under the Project should be provided annually for five years after completion of construction regardless of who manages the system.

Discussion

- Many persons questioned the 10% community contribution that was stated in the contract agreement.
 The community was initially supposed to provide a community contribution of 10% of the construction cost which could be in the form of cash or kind. This amount was reduced to the ability to pay according to the PIOJ Poverty Map and in some instances taken from the salaries of those who worked on the building of the system. In the case of WH/BB/P it was reported that this contribution was later used to pay the electricity bills for the initial stage of operations.
- The PEU sent a letter was sent to the Whitehorse Benevolent Society informing them of monies owed (J\$22 million) to the Ministry of Water and Housing for the payment of operating cost incurred during the initial stage.

Points Agreed

- The audit will explain the matters of the 10% contribution and the J\$22 million owed to the Ministry of Water and Housing.
- A date for the finalization of the Mile Gully Water System should be provided as soon as possible and discussions should be held with the Ministry of Water and Housing, the Parish Council and the NWC as it relates to the operation and maintenance of this system.
- Verify with Mr. Gage and Bacchus Engineering the Completion Certificate for the Whitehorse/Botany Bay Water Supply System.

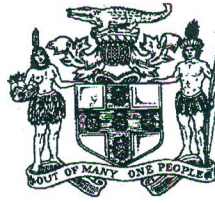
- The Benevolent Society for Mile Gully has suggested that they work along with the NWC to get the system operating. It was also agreed that someone from the Ministry of Water and Housing will be assigned to assist them with this matter and all other queries.
- The Gravel Hill Benevolent Society will need to write a letter to the NWC asking for a change in the September 15 deadline for registration and to include the connection fee in the bill for each month.
- Sensitizing communities on bill payments and disconnections is necessary.
- Now that the Project is concluded and the PEU no longer exists, the Ministry of Water and Housing will assign Ministry personnel to follow up on the completion of Mile Gully Water System, assist with Gravel Hill Benevolent Society to resolve the connection issue with the NWC. Regarding the WH/BB/P system, the Ministry will continue the dialogue to resolve to operation and management issues.

Expost Evaluation

The Ministry is to advise the Bank of the Project evaluation 2 years after of completion.

Next Step

The lessons learned will be used to develop the Master Plan TC which will be executed by the Ministry of Water and Housing.



MINISTRY OF WATER AND HOUSING

THE TOWERS, 25 DOMINICA DRIVE, KINGSTON 5, JAMAICA W.I.

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ANY REPLY OR SUBSEQUENT REFERENCE TO
THIS COMMUNICATION SHOULD BE
ADDRESSED TO THE PERMANENT
SECRETARY AND THE FOLLOWING
REFERENCE NUMBER QUOTED:

No. _____

2011 February 7

Mr. Evan S. Cayetano
Water & Sanitation Specialist
Inter-American Development Bank (IDB)
40-46 Knutsford Boulevard
6th Floor, Dyoll Building
Kingston 5

Dear Mr. Cayetano,

**Re: Loan 1360/OC-JA Rural Water Programme
Borrower's Evaluation and Terms of Reference
Rural Water Master Plan**

Kindly see the attached completed Borrower's Evaluation regarding the caption.

The Terms of Reference (TOR) for the Rural Master Plan will follow shortly.

We look forward to forging a stronger mutually beneficial partnerships as we collaborate in developing the water sector in Jamaica.

Yours sincerely,


Genefa Hibbert
Permanent Secretary

copy - Mr. Ancile Brewster - IDB
“ - Mr. Fitzroy A. Williams - MWH
“ - Ms. Barbara Scott - PIOJ



**Inter-American Development Bank
Project Completion Report –2006 PCR
Borrower Evaluation**

Project Name: **Rural Water Programme**

Executing Agency(ies): **Ministry of Water and Housing**

Borrower: **Government of Jamaica**

Date of Project Approval: **July 11, 2001**

Date of Contract Effectiveness: **July 4, 2002**

Date of Borrower Evaluation: **January 19, 2011**

Expected Date of Exit Workshop: **August 12, 2010**

Borrower Project Performance Ratings

Probability on Achieving its Development Objective(s):

☐ Highly Probable (HP) ☒ Probable (P) ☐ Low Probability (LP) ☐ Improbable (I)

Project Implementation:

☐ Highly Satisfactory (HS) ☐ Satisfactory (S) ☒ Unsatisfactory (US) ☐ Very Unsatisfactory (VU)

Sustainability of Project Results:

☐ Highly Probable (HP) ☐ Probable(P) ☒ Low Probability (LP) ☐ Improbable (I)

Comments:

Bank Performance

Please rate the Bank's overall performance during project preparation and execution. Factors to be considered include the extent to which the Bank facilitated a participatory project design, proposed adequate technical solutions to the problems identified, and responded to the needs of the Borrower (timeliness, selection of instrument type) as well as technical assistance (including informal and formal training) to Executing Agency, timeliness of Bank response and the Bank's flexibility to respond to emergency situations during project implementation. Your comments will be incorporated unedited into the PCR.

☐ Highly Satisfactory (HS) ☒ Satisfactory(S) ☐ Unsatisfactory (US) ☐ Very Unsatisfactory (VU)

Comments:

Borrower Performance

Please rate your own overall performance during project preparation and execution.

☐ Highly Satisfactory (HS) ☐ Satisfactory(S) ☒ Unsatisfactory (US) ☐ Very Unsatisfactory (VU)

Comments: **See EA comments attached.**

Additional Suggestions for Improving Bank Performance

Additional comments/suggestions for improving Bank performance in the future.

The bank performance is rate as satisfactory given the support provided during the implementation. The performance of the duties asked of the relevant officer from the Bank in the monitoring, processing of the documents and timely response was of high standards and assisted the implementation of the project. However, the areas that the Bank could improve on with regards to the Rural Water Programme are as follows:

- The Bank in designing innovative projects to be implemented across the regions has to be more cognizant of the variability in parameters, such as, geographical size, isolation of communities, culture and institutional capacity of the stakeholders. Consequently the Bank should utilize more local knowledge and participation in project formulation.
- The Bank also needs to structure technical assistance programs to support project management capacity building within the government's or borrower's operational framework.
- The Bank and the Borrower need to jointly examine the best modality to ensure that developmental projects with long term objectives is not condensed into projects with short term goals or outcomes.

EXECUTING AGENCY ADDITIONAL COMMENTS TO THE BORROWER'S EVALUATION.

Component 1: Potable Water Project

The reduction of the loan amount from US\$10 million to US\$8 million resulted in only 5 of the 10 originally planned water systems being completed. These communities, White Horses, Cotterwood, Gravel Hill, Mile Gully and Gblatore, were selected based on established set of objective criteria,

One of the selection criteria identified communities that were deemed to be poor; however, this became one of the inherent flaws in the design of the project as the cost to provide the service was beyond the ability of the poor households to afford.

The sustainability of the rural water supply systems was dependent on the management capacity of the CWOs to manage the system and afford the cost to maintain the systems to provide reliable service.

Therefore, the demonstration effect required of the pilot – as the program was designed - was a more balanced set of criteria in selecting project communities.

Component 2: Community and private sector participation

CWOs were to be formed and legally registered to be given an opportunity to own, as well as operate and maintain their systems. As a result the tariff rates should have been sufficient to cover the administration, operation, maintenance and short term depreciation of the water systems. The flat rate charged by the CWO for the service was insufficient to cover the stated cost and played a significant part in the systems being unsustainable.

Another challenge to the project was that the cost to provide service in these rural community water systems was higher than that being charged by the NWC in adjacent communities. This became a difficult issue for the CWOs to justify and resulted in tension or conflicts among some stakeholders.

Due to policy changes by the MOWH, the innovative modality of community managed water systems that was envisaged for the delivery of potable water in rural communities was not achieved as only one of the five CWO currently has autonomy of the systems.

A policy decision was made subsequent to the design and during the implementation of this pilot program the NWC was asked to assume ownership and management control of three of the operable systems and the local government or Parish Council be responsible for the remaining system.

Component 3: Institutional strengthening of MOWH

The completion of this component was to result in the establishment of an Institutional framework in the MOWH for the expansion and administration of water services in rural Jamaica.

The Rural Water Supply Limited was established by the Ministry of Water and Housing to meet the demand for water supply in rural Jamaica, and as such was identified as the ideal vehicle to implement the lessons learnt from the IDB Rural Water Project. Unfortunately, this did not occur during the project implementation stage, however, in terms of the longer term development objective and project outcome, the possibility remains that this arrangement could still be realized. This would bring greater and more affordable benefits to poor rural communities in the provision of rural water supply services.

GENERAL COMMENTS

Sustainability Issues

The idea was to establish self financing and self-managed water systems at the community level. This modality was to serve as a demonstration effect and replicated across the island in similar communities. However, it became increasingly challenging for the GOJ to provide the necessary assistance for the CWO, particularly because:

- The policy to support this modality had shifted; and
- Some aspect of the institutional arrangement within the MOWH was not adequately established to support the PIU, Rural water Supply Limited and the Community Organisation.

Despite the challenges, Mile Gully, a project site for one of the five systems developed should serve as a model to be replicated for the provision of water in rural communities. The non-mechanical system developed for the community requires less capacity from the CWO to maintain and along with the low operating costs the technical skills within the community is able to manage the system. The modality is to be replicated to other rural communities through the Rural Water Supply Company Limited.

Fiduciary Issue

Delays in submission of milestone reports and project execution by the MOWH resulted in the cancellation of approximately US\$800,000 of the loan resources.

The Steering Committee which would have guided project execution, as agreed to with the Bank, was established but regular meetings were not convened.

Lessons Learnt

Despite encountering several challenges during the implementation of the RWSP a number of the lessons were learnt including:

1. The need for appropriate criteria in community (project site) selection in designing the project; this include considerations such as geography; site accessibility and socio-economic level;
2. The need to ensure that given the socio-economic background (5th quintile) of the community selected, the capacity exists to manage the (sophisticated) systems that are being constructed for their organisation;
3. The need to ensure that an operable NWC system does not exist adjacent to the community systems with lower tariffs or that the proposed new development solutions targeting the poorest communities does not become more costly in the development of water supply systems and the provision of services than existing and proximate established NWC systems.
4. Recognizing the difficulty to modify project with long term development objectives into projects with short term development outcomes.
5. Accepting that the project was design as a pilot that tried various modalities for the delivery of water to rural communities; also accepting that the solution chosen for Mile Gully/Warwick Castle seems to be the most representative designed module for Rural Water systems in Jamaica.

Consequently this module could be replicated in other rural communities in the island as well as other countries with similar parameter as Jamaica.

WAY FORWARD

The MOWH is committed to a Rural Water Master Plan with regards to policy and implementation. One critical element of this Plan estimates that approximately 15% of the population will not be served by the traditional water supply systems. Consequently, alternative and innovative solutions in the provision of rural water supply and service systems will have to be developed in collaboration with our development Partners.

The National Water Commission has indicated that these water projects or systems constructed under the project are of a high standard. However, due to the limited (technical, management and financial) capacity of the Parish Councils and the communities to manage these systems, the Rural Water Supply Limited will be engaged to provide the requisite assistance to support the operations of these systems. It is therefore the intent of the Ministry of Water and Housing to institutionalize the operational framework through the Rural Water Supply Limited to take advantage of the lessons learnt from the Inter American Development Bank projects. This approach or strategy will ensure that the benefits achieved through the project will realize the demonstrative potential given the anticipated value to be added by the IDB and the MWH/ GOJ.