

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	AquaRating: Management, Operation, Improvements, Support to the implementation, and Dissemination of the Program
▪ TC Number:	RG-T4051
▪ Team Leader/Members:	Cathala, Corinne (INE/WSA) Team Leader; Basani, Marcello (INE/WSA) Alternate Team Leader; Guerrero Rivera, Marilyn Ivette (INE/WSA); Lopez, Liliana M. (INE/WSA); Sasaki, Keisuke (INE/WSA); Vila Saint-Etienne, Sara (LEG/SGO)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	07 Feb 2022.
▪ Beneficiary:	Water Utilities of LAC Region
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Multidonor AquaFund(MAF)
▪ IDB Funding Requested:	US\$500,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	40 months (Execution: 36 months)
▪ Required start date:	April 30th, 2022
▪ Types of consultants:	Individual; Consulting Firms
▪ Prepared by Unit:	INE/WSA-Water & Sanitation
▪ Unit of Disbursement Responsibility:	INE/WSA-Water & Sanitation
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Diversity; Environmental sustainability; Gender equality; Institutional capacity and rule of law; Productivity and innovation

II. Objectives and Justification

- 2.1 AquaRating is an IDB flagship knowledge product of the Inter-American Development Bank (IDB or Bank), consisting of a rating system that assesses the performance of water and sanitation utilities to foster process improvements. It was developed as an initiative of the IDB, in collaboration with the International Water Association (IWA) to apply AquaRating in water and wastewater utilities in Latin America and the Caribbean (LAC) through the IDB and in the rest of the world through IWA and promote its use. Given the high demand for the tool in the LAC region, the Bank's main goal at this point is to continue supporting the implementation and improvement of the AquaRating Program until it becomes a reference for all utilities in LAC, and a worldwide standard. AquaRating is a voluntary and universal system that offers a comprehensive assessment of the performance of water and sanitation services providers, based on reliable information, and validated by independent and accredited agents. The main objective of this technical cooperation (TC) operation is to manage, support the dissemination of and operate the implementation of the AquaRating program in a selected number of water and sanitation utilities in LAC, and to promote its use in LAC.

- 2.2 Two previous technical cooperation operations have been supporting the launch to market of the AquaRating tool in the LAC region (ATN/OC-15834-RG and ATN/MA-17256-RG), as well as the update of the AquaRating tool. The main outputs obtained from those technical cooperation operations include: (i) a revamped version of the AquaRating tool; (ii) implementation of the AquaRating evaluation process in over 100 water utilities in LAC and other regions of the world through IWA; (iii) workshops to train technical and management staff to use AquaRating in Colombia, Mexico, Argentina and El Salvador; (iv) AquaRating certification of 10 water utilities; (v) training and authorization of 4 audit firms to act as AquaRating auditors; (vi) preparation of the AquaRating Validation of Consistency Guidelines Vol.1; (vii) updating and re-design of the AquaRating website (www.aquarating.org); (viii) the AquaRating Auditors Guidelines in English and Spanish; (ix) promotional and marketing materials in English and Spanish (i.e. production of videos in collaboration with water operators to disseminate good practices associated with the application of AquaRating); (x) the development and publication of new tool as knowledge products, such as the AquaRating focused analyses for water loss management, innovation (which include a tool to develop strategic innovation plan), climate change management, integrity and business continuity; and (xi) the development of a Massive Open Online Course on AquaRating for water utilities and sector professionals.
- 2.3 The AquaRating focused analyses constituted a key development for AquaRating in 2020 since they allow water utilities to do a self-assessment of a specific area of interest (innovation, climate change, water losses, integrity, and business continuity) and, in the case of innovation, elaborate an innovation strategic plan. Over 17 focuses analyses were implemented in water utilities over the past year in Peru, Argentina, Ecuador, Panama, and Costa Rica, among others. This TC operation would include financing to support the implementation of additional focused analyses throughout the LAC region, as the demand for them is growing.
- 2.4 The increasing number of water utilities that have implemented the AquaRating tool and focused analyses has generated a critical mass of utilities, which allows for benchmarking exercises among water utilities from the same country, region or sub-region. This new TC operation will make it possible to develop new AquaRating products, test those products and disseminate them among water utilities. In addition, the TC operation will further disseminate the AquaRating evaluation tool as well as its focused analyses in the LAC region and generate business intelligence (i.e. benchmarking studies).
- 2.5 Other multilateral and bilateral agencies have expressed interest in implementing the tool in the geographic area they cover, which has been very successful. As a result, the team has been collaborating with the World Bank, the Asian Development Bank, the Dutch and Swiss cooperation agencies, and the Millennium Challenge Corporation to implement the tool outside of the LAC region. The IDB has been using the AquaRating tool in project preparation to assess water utilities and design a performance improvement plan based on the results from the AquaRating. IDB Invest has also used the tool in its projects.
- 2.6 This TC is consistent with the Second Update to the Institutional Strategy 2020-2023 (AB-3190-2). In addition, the TC is aligned with the development challenges of: (i) “*Productivity and Innovation*”, as it will support LAC countries to improve their efficiency and strengthen their operations through innovative instruments for

operational efficiency, financial and environmental sustainability, corporate governance and, access and quality to water and sanitation services as well as assessing how they manage innovation. The TC is also aligned with the cross-cutting theme of “institutional capacity and rule of law” since it will finance the application of the AquaRating tool to assess the governance of water utility and will foster improvements in that area. In addition, the TC is aligned with the cross-cutting theme of “*Climate Change and Environmental Sustainability*” since it will assist water utilities in the LAC region in better assessing how they manage climate change and how they adapt to climate change and environmental degradation in the water and sanitation sector. Lastly, the TC is aligned with the cross-cutting theme of “gender equality and diversity” since the AquaRating tool will also assess the water utilities in that specific area to design specific improvement plans in that area. Furthermore, this TC is aligned with the five dimensions defined in the Water and Sanitation Sector Framework Document (SFD) (document GN-2781-13) approved by the Bank in December 2021. In the SFD, the dimensions of success and lines of action for the sector were defined, including achieving universal access to water and sanitation, improving the quality of the service, incorporating good practices in the management of infrastructure and the use of appropriate technologies, as well as the inclusion of aspects of water security. This TC is consistent with the Multi-Donor AquaFund (MAF) in that it promotes innovation and supports the governments of the region to achieve Sustainable Development Goals¹ No.6 through the improvement in water utilities’ operational efficiency and financial sustainability. In addition, the proposed TC is aligned with the Vision 2025 in that: (i) It will promote the governance of institutions in the LAC region; (ii) It will promote more efficient water utilities and consequently, they will be better positioned to attract financing; it will strengthen water utilities’ corporate governance; and (iii) It will strengthen water utilities’ resiliency against climate change through the transfer of knowledge and experience among water operators.

III. Description of activities and outputs

- 3.1 Component 1: Management of AquaRating and Implementation in LAC.** This component will finance the following activities: (i) provide the technical support that utilities require during the application of AquaRating and its focused analyses; (ii) validate the consistency of the information provided by utilities (ensure that the information provided by the utility is consistent throughout the AquaRating platform and that the questions have been interpreted correctly) to assess their performance after the characterization process and prior to the auditing process in the event the water utility elects to be AquaRating certified; (iii) program management, monitoring, license management, process administration, communication management, budget management, contract management, strategic planning, AquaRating implementation support, AquaRating knowledge management, articulation/participation of events, identification and implementation of improvement opportunities. Support to operators in the implementation, work sessions, follow-up, training, requirements attention, validation, audits, etc. The management of the AquaRating platform is carried out by INE/WSA. Technical support will be provided by individual consultants. A consulting firm will be hired to perform the required maintenance. The expected results in this component are monthly monitoring reports, monitoring of the operation of the platform,

¹ <https://sdgs.un.org>

communication materials, quality control of the process, budget monitoring, workshops, training, etc.

- 3.2 **Component 2: Development of new and updating of the existing AquaRating focused analyses and tools.** This component will finance: (i) the development of new AquaRating products such as focused analyses on specific topics (i.e. business continuity); (ii) the development of a tool to assist water utilities with the prioritization of their investments based on the results obtained from the application of the AquaRating tool; (iii) the updating of existing AquaRating focused analyses as necessary and their translation into Spanish, English and Portuguese²; and (iv) the development of a guide to allow the water utilities to develop their own transformation plan; individual consultants and/or consulting firms will be hired to perform that work. The expected result is the production of new and updated focused analyses and tools, which would be translated into Spanish, English, and Portuguese.
- 3.3 **Component 3: Design and implementation of the AquaRating marketing strategy and communication plan.** This component will finance the development of a marketing strategy and a communication plan to better market the AquaRating standard and the focused analyses throughout the LAC region. An individual consultant will be contracted to design and implement the marketing strategy and communication plan for AquaRating. The result of this component is to design and implement the marketing strategy for the scaling up of the tool in the LAC region.
- 3.4 **Component 4: Promotion and Dissemination of AquaRating knowledge products.** This component will finance: (i) the promotion of AquaRating in different events, and special visits to interest groups and financial institutions as well as development agencies³. This component will finance activities to promote AquaRating: (i) the participation in meetings in the LAC region and outside of the region, as the case may be, and (ii) the preparation and publication of technical notes/policy papers associated with the application of the AquaRating tool and its focused analyses as well as benchmarking studies.

IV. Budget

- 4.1 The total amount of funding requested is US\$500,000 to be financed with resources from the Multi-Donor AquaFund (MAF). The distribution of resources is as follows:

Indicative Budget (in US\$)

Component	Description	IDB Fund Funding	Counterpart Funding	Total Funding
Component 1: Management of AquaRating and Implementation in LAC	Management of the AquaRating tool and its focused analyses, processes, and operation, technical support as well as maintenance and monitoring of the AquaRating platform	\$130,000.00	0	\$130,000.00
Component 2: Development of new products and updating of the existing AquaRating focused analyses	Development of new AquaRating products, including focused analyses and tools on specific topics and updating of existing focused analyses to be translated into Spanish, English, and Portuguese. Development of a tool to prioritize investments based on results from AquaRating	\$230,000.00	0	\$230,000.00

² Available AquaRating focused analyses:
<https://videoconf-colibri.zoom.us/j/88088778096?pwd=VDQ5V0RuYnNyNmIVcE9Zd0U3bm9Xdz09>

³ There exist ongoing activities in partnership with the Asian Development Bank, the Millennium Challenge Corporation, and the Economic Cooperation and Development of Switzerland.

Component 3: Implementation of the AquaRating marketing strategy	Design and implementation of the AquaRating marketing strategy to scale up the use of the tool in the LAC region	\$80,000.00	0	\$80,000.00
Component 4: Promotion and dissemination of AquaRating knowledge products	Promotion and dissemination of AquaRating in events in LAC and preparation and publication of technical notes/policy papers associated with the application of AquaRating and its focused analyses and benchmarking exercise	\$60,000.00	0	\$60,000.00
Total		\$500,000		\$500,000

V. Executing agency and execution structure

- 5.1 As it has been the case previously, the Bank, through its Water and Sanitation Division, will be the executing agency for this TC operation, through its AquaRating Technical Unit, to ensure the optimal application of the AquaRating tool in the LAC region⁴. The AquaRating is an IDB initiative and the Bank has the intellectual property of the tool. Therefore, it is justified that the Bank execute this operation. The IDB The technical unit in INE/WSA, which has been overseeing the dissemination and technical aspects of the implementation of AquaRating will continue performing those tasks.
- 5.2 The execution period is 40 months (including disbursements). The activities to be financed with this TC operation are included in the Procurement Plan (Annex 3) and will be executed in accordance with Bank policies and procedures as follows: (i) the hiring of individual consultants will be governed by the guidelines established in policy AM-650; (ii) the hiring of consulting firms of an intellectual nature will be governed by the "Policy for the selection and contracting of consulting firms for operational work carried out by the Bank" (GN 2765-4) and its Operational Guidelines (OP-1155-4); and (iii) other non-consulting services in accordance with the "IDB Institutional Procurement Policy" (GN 2303-28). All activities foreseen for this TC operation will be included in the procurement plan and will be executed in accordance with the bidding methods and terms established.
- 5.3 Direct hiring of the firm Avionics has been identified during the preparation of the TC. Avionics has been supporting the AquaRating team with the modifications to the platform as well as its maintenance. Avionics has performed satisfactorily under its previous contract.
- 5.4 TC activities will be monitored and reported annually as well as at the end of the execution period. Letters of non-objection will be obtained before any specific consultancy is carried out in a specific country.

VI. Major issues

- 6.1 One of the risks in achieving the objectives of this TC is the potentially high and low demand picks. AquaRating could generate a lot of interest from too many utilities and sponsors at the same time, which could impact negatively the AquaRating Technical Unit. To mitigate that risk, local consultants will be contracted to attend the utilities on a day-to-day basis in each of the countries where demand is high, as has been successfully implemented in Colombia and Mexico, or through consultants to support regionally as well as firms to support complementary services such as validations,

⁴ IWA will be able to continue promoting the tool in other regions of the world through the AquaRating license (following the principles and procedures set by the IDB).

audit, support, etc. In addition, to avoid any low pick in demand, promotional activities will continue throughout the implementation of this TC.

VII. Exceptions to Bank Policies

7.1 This TC operation does not include any exception to Bank policies.

VIII. Environmental and Social Classification

8.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects, or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (MPAS).

Required Annexes:

[Results Matrix - RG-T4051](#)

[Terms of Reference - RG-T4051](#)

[Procurement Plan - RG-T4051](#)