

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Consolidation and Expansion of the AquaRating Program
▪ TC Number:	RG-T4558
▪ Team Leader/Members:	Sasaki, Keisuke (INE/WSA) Team Leader; Basani, Marcello (INE/WSA) Alternate Team Leader; Nunez Gabriela Itzel (INE/WSA); Ortega Oropeza Leticia (INE/WSA); Bonilla Merino Arturo Francisco (LEG/SGO); Grunwaldt, Alfred Hans (CSD/CCS); Urquijo, Lee (ITE/IPS); Romero Burgos Maria Fernanda (INE/WSA); Cevallos Varea, Marco Antonio (INE/WSA); Machado, Kleber B. (INE/WSA)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	10 Jun 2024.
▪ Beneficiary:	Water Utilities of LAC Region (all 26 countries)
▪ 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.
▪ Required start date:	November 1st, 2024
▪ Types of consultants:	Individuals and consulting firms
▪ Prepared by Unit:	INE/WSA-Water & Sanitation
▪ Unit of Disbursement Responsibility:	INE/WSA-Water & Sanitation
▪ TC included in Country Strategy (y/n):	
▪ TC included in CPD (y/n):	
▪ Alignment to the IDB Group Institutional Strategy: Transforming for Scale and Impact 2024-2030:	Environmental sustainability; Institutional capacity and rule of law; Productivity and innovation; Social inclusion and equality

II. Objectives and Justification of the TC

2.1 The general objective of this technical cooperation is to consolidate and to expand the AquaRating program, so it becomes a reference for W&S utilities in the Latin America and the Caribbean (LAC) region, as well as a reference internationally. The specific objectives are: (i) to consolidate the AquaRating program, through the continuation of the promotion of the tools already available, the execution of studies to quantify the benefit of the use, and the implementation of dissemination activities; and (ii) to expand the AquaRating program, including the development of additional tools to support the W&S utilities in their decision makings, which includes not only tools for focused diagnostics, but also tools to enhance the use of the diagnostic results. The principal beneficiaries of this TC are W&S utilities in the LAC region.

2.2 AquaRating—considered one of the Water and Sanitation Division’s flagship programs—is a collection of tools that supports water and sanitation service providers in their enterprise transformation, through evaluation of their performance and development of transformation plans, with a focus on efficiency, sustainability and resilience. The

original AquaRating Standard¹, which aims at comprehensive assessment, was launched in collaboration with the International Water Association (IWA) in 2015, and so far, more than 100 (W&S) utilities, in approximately 30 countries—this translates to over 120 million inhabitants served—have used these tools to evaluate and, therefrom, improve their performance and management.

2.3 A recent analysis² showed that 32 utilities which have repeated the AquaRating Standard application obtained improvement of, on average, 36% in their overall performance ratings (comparison between the respective utility's first application and the latest application). Water and sanitation service providers (such as EPMAPS (Quito, Ecuador)³ and Aguas de Manizales (Manizales, Colombia)⁴) have manifested that AquaRating became their primary management tool for continuous improvement. A recent publication (IDB, 2024)⁵ has also highlighted the vital contribution of AquaRating in the process of change management in W&S utilities in Colombia (under a program named COMPASS).

2.4 This TC is consistent with the IDB Group [Institutional Strategy](#): Transforming for Scale and Impact (CA-631) and is aligned with the objective(s) of

- **Reducing poverty and inequality:** this TC aims to promote change management and efficient and sustainable business transformation of the W&S utilities, thereby contributing to improved access and service quality of the W&S service provision to their users, including vulnerable populations.
- **Addressing climate change:** this TC will assist water utilities in the LAC region in better assessing how they manage climate change and how they adapt to climate change (through the implementation of the Focused Analysis on Climate Change).
- **Bolster sustainable regional growth:** this TC will support water and sanitation utilities to improve their efficiency, sustainability, innovation and productivity, with the AquaRating standard as well as tools focusing on innovation (Focused Analysis on Innovation is already available and additional tools will be developed).

2.5 The operation is also aligned with the operational focus area(s) of i) Biodiversity, Natural Capital, and Climate Action; ii) Gender Equality and Inclusion of Diverse Population Groups; iii) Institutional Capacity, Rule of Law, and Citizen Security; and iv) Sustainable, Resilient, and Inclusive Infrastructure with an Emphasis on Regional Integration.

2.6 On gender, it is noteworthy that female participation in W&S utilities workforce is often quite limited⁶. Promoting gender parity in companies leads to diversity, which can increase the speed of innovation and reduce the technological gap, thereby enhancing the efficiency of the economic system⁷, which can be achieved through the use of

¹ <https://publications.iadb.org/en/aquarating-international-standard-assessing-water-and-wastewater-services>

² <https://blogs.iadb.org/agua/es/midiendo-el-exito-de-aquarating/>

³ <https://publications.iadb.org/en/successful-case-change-management-toward-business-sustainability-first-whole-cycle-implementation>

⁴ <https://blogs.iadb.org/agua/es/10-cosas-que-debes-saber-sobre-la-gestion-del-agua-y-saneamiento-aquarating/>

⁵ <https://publications.iadb.org/es/la-gestion-del-cambio-en-el-sector-de-agua-potable-y-saneamiento-de-colombia>

⁶ For example, see World Bank (2020). According to a study on 64 W&S utilities, female participation in their workforces averaged only 17.7%. On average, 22.8% of engineering and 23.3% of management positions are held by women. In Latin America and the Caribbean (LAC), their average participation is 19.7%.

⁷ CEPAL (2018). *La ineficiencia de la desigualdad*.

AquaRating's Gender and Diversity Focused Analysis.

- 2.7 On climate change, the Focused Analysis on Business Continuity and that on Climate Change include evaluation elements related to disaster management and climate change. Synergies are expected between this TC and other operations by the Bank in the W&S sector. While implementation of these Focused Analyses raises awareness for actively taking measures against relevant risks, the Bank may support concrete measures through different operations, including but not limited to the Caribbean Water Utility Insurance Collective Segregated Portfolio (CWUIC SP)⁸.
- 2.8 The TC is relevant for the Bank's borrowing member countries and the linkages to the Strategic Objectives of the Country Strategies are shown in the Optional Electronic Link. The TC is complementary to regional initiatives promoted by the IDB in the W&S sector such as the CWUIC SP mentioned above and RegWAS (Support to the implementation of program to strengthen water and sanitation regulators)⁹. The CT is consistent with the objectives of the Multidonor AquaFund (MAF), by generating and disseminating knowledge pertinent to the strengthening of W&S utilities with respect to, among other aspects, management capacity, corporate structure, transparency, gender and diversity, and innovation.
- 2.9 Lessons learned. Since the launch of AquaRating Standard¹⁰ in 2015, the program has been expanded by incorporating the Focused Analyses and a methodology to develop transformation plans. Based on the implementation of AquaRating, several publications and knowledge products have been developed¹¹. AquaRating has also contributed the design of multiple loan operations as well¹². From these years of the use of AquaRating, it has been observed that enterprise transformation of W&S utilities, in the initial phase, often requires the utility to learn to manage change the capacity, which may entail cultural change and adjusting basic concepts in operational, financial, organizational, planning and governance¹³. This experience suggests that utilities would benefit from additional tools to facilitate the interpretation and use of diagnostics results based on different AquaRating analyses and/or actions proposed in action plans. The development of these additional tools is included in the Component 1 of this TC.

III. Description of activities and outputs

⁸ <https://www.iadb.org/en/news/caribbean-water-utilities-join-insurance-collective-segregated-portfolio>

⁹ <https://www.iadb.org/en/project/rg-t4245>

¹⁰ The AquaRating Standard analyzes eight evaluation areas: Quality of Service, Access to Service, Investment Planning and Implementation Efficiency, Corporate Governance, Operation Efficiency, Financial Sustainability, Business Management Efficiency, and Environmental Management.

¹¹ Including [IDB-TN-01838](#), [IDB-TN-2478](#), and [IDB-TN-2901](#).

¹² Among others, the Water and Sanitation Program for the Metropolitan Area of Asunción - Lambaré Watershed (5027/OC-PR), the Quito Drinking Water and Sewer System Program (4759/OC-EC), the Program to Strengthen the Water and Sanitation Sector in El Salvador (5577/OC-ES), and the Water and Sanitation Program for the Buenos Aires Metropolitan Area and the Districts in the First, Second, and Third Rings of the Buenos Aires Conurbation - Tranche II (5648/OC-AR).

¹³ For example, see the above-mentioned publication (IDB, 2024) on the implementation in Colombia. This is also based on a publication by Swiss State Secretariat for Economic Affairs (SECO) ([link](#)).

- 3.1 Component 1. Development and optimization of AquaRating Knowledge Products.** This component will finance development and/or consolidation of knowledge products under the AquaRating program. This may include: focused analysis tools and other methodologies based on AquaRating, tools to facilitate the interpretation and use of diagnostics results based on different AquaRating analyses and/or actions proposed in action plans, and an in-depth analysis, quantitatively and qualitatively, of the benefit of the use of AquaRating tools. This component will also finance consultancies for update and optimization of online platform, and translation, edition, and design of AquaRating knowledge products. The expected outputs under this Component are: (i) Development and consolidation of focused analysis tools and other methodologies (target: 2 tools); (ii) Development of a technical note on AquaRating (target: 1 note); and (iii) Update and optimization of online platform (target: 2 updates/optimizations of the platform). (Total: US\$251,000).
- 3.2 Component 2. Diagnostics and transformation plans based on AquaRating.** This component will finance comprehensive diagnostics and evaluations of utilities' performance (in the case of AquaRating Standard), or focused diagnostics (in the case of Focused Analysis tools), and, taking such diagnostics as main inputs, produces transformation plans. This component will also finance consultancies for the administration and analysis of implementation of the tools. From the viewpoint of also collecting data useful for the Component 1, utilities willing to go through the cycle of diagnostics, transformation plans, and evaluate the implementation of actions by repeating the diagnostics will be prioritized for this Component 2. The expected outputs under this Component are: (i) Administration and analysis of implementation of the tools (target: 3 administration plans); (ii) Implementation of standard certification and characterization (target: 10 implementations); and (iii) Implementation of focused analysis, including the focused analysis on gender and diversity, and action plans (target: 11 implementations). (Total: US\$149,000).
- 3.3 Component 3. Client outreach, and communication and dissemination.** This Component will finance events to foster the exchange of experiences, lessons learned, and good practices in a community of utilities that have utilized AquaRating. This kind of events are proven to promote mutual learning on how to use effectively the AquaRating tools, as well as how to implement effective measures to improve performance. Additionally, this component will include dissemination activities such as marketing and communication activities (e.g. videos, blogposts, etc.) as well as development of a process for accreditations or certifications, aimed at giving recognition to utilities that have implemented AquaRating. The expected outputs under this Component are: (i) Development and implementation of communications and marketing strategy (target: 2 strategies); and (ii) AquaRating workshops organized (target: 2 workshops). (Total: US\$100,000).
- 3.4** All components include the AquaRating products, of which the Gender and Diversity Focused Analysis is one. Therefore, this product will be consolidated and expanded with this Technical Cooperation, supporting the promotion of gender parity within water and sanitation companies in the Region.

3.5 **Budget.** The total funding needed is US\$500,000, which will be financed by the IDB Multidonor AquaFund. No counterpart funding is anticipated for the execution of the planned activities. An estimation of the costs for the activities is included in the following budget:

Indicative Budget				
Activity/Component	Description/Product	IDB Multidonor AquaFund	Other funding	Total Funding
1. Development and Optimization of Knowledge Products	Development and consolidation of focused analysis tools and other methodologies	\$ 100,000.00		\$ 100,000.00
	Development of a technical note on AquaRating	\$ 51,000.00		\$51,000.00
	Update and optimization of online platform	\$ 100,000.00		\$ 100,000.00
Subtotal Component 1		\$ 251,000.00		\$ 251,000.00
2. Diagnostics Based on AquaRating	Administration and analysis of implementation tools	\$ 72,000.00		\$ 72,000.00
	Implementation of standard certification and characterization	\$ 35,000.00		\$ 35,000.00
	Implementation of focused analysis, including the focused analysis on gender and diversity, and action plans	\$ 42,000.00		\$ 42,000.00
Subtotal Component 2		\$ 149,000.00		\$149,000.00
3. Communications, Dissemination and Client Outreach	Development and implementation of communications and marketing strategy	\$ 40,000.00		\$ 40,000.00
	AquaRating workshops organized	\$ 60,000.00		\$ 60,000.00
Subtotal Component 3		\$ 100,000.00		\$100,000.00
TOTAL		\$ 500,000.00		\$500,000.00

3.6 The project team will be responsible for preparing and submitting the project reporting to the donor, as well as for all other actions and deliverables pertaining to project execution and agreed with the donor in the Administration Agreement.

IV. Executing agency and execution structure

4.1 This The TC will be executed by the Inter-American Development Bank through the Water and Sanitation Division (INE/WSA). The execution by the Bank is justified as the AquaRating is a program led by IDB and the Bank has the intellectual property of the tools and extensive track record of managing this program. The TC could contribute to the Banks engagement with W&S utilities in different countries; for example, in Trinidad and Tobago, with the Water and Sewerage Authority (WASA)

under the Trinidad and Tobago National Water Sector Transformation Program¹⁴; and in Barbados, with the Barbados Water Authority (BWA) under the Barbados Climate Resilient South Coast Water Reclamation Project¹⁵). Therefore, the team will ensure the coordination with the country offices through WSA's country specialists.

- 4.2 The execution period is 40 months (including disbursements). All procurement to be executed under this Technical Cooperation have been included in the Procurement Plan and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) Contracting of services provided by consulting firms and non-consulting services in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.
- 4.3 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 contracts. This direct hiring is justified as Avionics is the firm that developed the current AquaRating platform between 2016 and 2018, and the firm has been providing all the services related to the AquaRating platform since then, including a recent and important modification to add to the platform modules for several Focused Analyses. Therefore, the expected tasks represent a natural continuation of previous work carried out by this firm and giving the firms complete understanding of the AquaRating platform, it is considered that Avionics possesses experience which is unique and unmatched. The contracting will be done in line with the criteria set in the Policy GN-2303-33.
- 4.4 Progress will be reported at least annually in the Bank's system (Convergence), including the following information: (i) physical and financial progress of the CT; (ii) products and results obtained; (iii) lessons learned; and (iv) any other information considered relevant.

V. Major issues

- 5.1 There are two key risks identified in achieving the objectives of this TC:
 - 5.1.1 The potentially high and low demand peaks. AquaRating could generate a lot of interest from too many utilities and sponsors at the same time, which could impact negatively the AquaRating team. To mitigate that risk, local consultants will be contracted to assist the utilities on a day-to-day basis in each of the countries where demand is high, as has been successfully implemented in Colombia, Mexico, and Argentina, or through consultants to support regionally as well as firms to support complementary services such as validations, audit, support, etc. In addition, to avoid any low pick in demand, promotional activities will continue throughout the implementation of this TC.
 - 5.1.2 Cybersecurity and how to best protect the data of clients. To mitigate this risk, i) cybersecurity components will be taken into account in the TdR for the maintenance and development of the online platform; ii) there will be particular effort made for the implementation of the Focalized Analysis on Digitalization by the water operators, which includes elements of cybersecurity, analyzing in particular the existence of protocols for management of risks, the supervision and

¹⁴ <https://www.iadb.org/en/project/TT-L1055>

¹⁵ <https://www.iadb.org/en/project/BA-L1063>

protection of technologies, the existence of a cybersecurity strategy, and the definition of responsibilities within the organization as related to cybersecurity; and iii) the team will seek to disseminate the [Cybersecurity Self-Assessment Tool](#) created under the umbrella of the [Protecting Water and Sanitation Infrastructure from Cyberthreats: A Cybersecurity Study for Latin America and the Caribbean](#), designed by the Bank with the aim to assist public and private organizations to implement cybersecurity diagnostics.

5.2 Sustainability. To ensure the sustainability of what will be achieved under this TC, the following measures are considered: (i) knowledge products generated under this TC will be published; and (ii) engagement with W&S utilities will seek to establish and/or strengthen their capacity for change management, so the utilities will be able to continue improving their performance even after the TC's execution period.

VI. Exceptions to Bank policy

6.1 No exceptions to Bank policies are foreseen.

VII. Environmental and Social Aspects

7.1 This TC 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 Banks Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Results Matrix_13739.pdf](#)

[Terms of Reference_75599.pdf](#)

[Procurement Plan_23836.pdf](#)

Optional Electronic Link:

- [Linkages to the Country Strategies.](#)