

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	COLOMBIA
▪ TC Name:	Consolidation of best corporate development practices in the water and sanitation sector in Colombia
▪ TC Number:	CO-T1772
▪ Team Leader/Members:	Navarrete Jimenez, Manuel Jose (INE/WSA) Team Leader; Paez Rubio, Tania (INE/WSA) Alternate Team Leader; Ocampo Salgado Carolina (INE/WSA); Crausaz Sarzosa, Ernesto Patricio (VPC/FMP); Corzo Delgado Clara Maria (INE/WSA); Nicolas Moreno (ORP/GCM); Escudero, Carolina (VPC/FMP); Bonilla Merino Arturo Francisco (LEG/SGO); Barbosa Taves De Gouvea, Heleno (ORP/REM); Merchan Paladines, Vianca Tatiana (VPC/FMP); Romero Burgos Maria Fernanda (INE/WSA); Bohorquez Gongora Juan Fernando (INE/WSA); Garavito Estrada Carlos Eduardo (INE/WSA); Orejarena Serrano, Silvia Susana (INE/WSA)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	13 Aug 2024
▪ Beneficiary:	Colombia (Water and Sanitation Utilities)
▪ Executing Agency and contact name:	Inter-American Development Bank and Colombian Association of Sanitary and Environmental Engineering (ACODAL) as co-executing agency
▪ Donors providing funding:	Project Specific Contributions (PSC); Strategic Development Program Window 2 – Sustainable Infrastructure (W2B)
▪ IDB Funding Requested ^{1 2} :	Project Specific Contributions (PSC); US\$2.508.000 Strategic Development Program Window 2 – Sustainable Infrastructure (W2B): US\$600.000 Total: US\$3.108.000
▪ Local counterpart funding, if any:	US\$100,000.00 (In-Kind)
▪ Disbursement period (which includes Execution period):	39 months
▪ Required start date:	February 2025
▪ Types of consultants:	Individual consultants 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):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the IDB Group's Institutional Strategy:	Increasing Resource Mobilization, Promoting Gender Equality, Diversity and Inclusion, Climate Change and Environmental Sustainability, Institutional Capacity and the Rule of Law

¹ The donor is the Swiss State Secretariat for Economic Affairs SECO.

² The IDB will administer these funds through a Project-Specific Grant (PSG). State Secretariat for Economic Affairs SECO will contribute CHF\$2,400,000, equivalent to US\$2,640,000 based on the exchange rate of 1.1, defined at credit proposal stage. US\$132,000 will be set aside from this contribution as a 5% administration fee. The remaining contribution of US\$2,508,000 corresponds to the project amount as indicated in the Basic Information table. The administration fee will be distributed to the Bank's departments as applicable, in relation to the workload due to preparation, execution, and monitoring of the operation as well as administration of the PSG Agreement.

II. Objectives and Justification of the TC

- 2.1 **Objective.** The Technical Cooperation's overall goal is to contribute to the improvement of the quality and sustainability of the urban water and sanitation services through the consolidation of the corporate development results in the water and sanitation sector in Colombia fostered by the operation "Comprehensive development Urban Water and Sewerage Companies in Colombia (CO-T1457)".
- 2.2 This TC will be a second phase and complements the first phase financed through TC CO-T1457³. As a second phase, this operation builds on the achievements and lessons learned during the implementation of corporate development actions⁴ implemented in urban water and sanitation utilities in Colombia through phase I. The technical cooperation "Performance Improvement of Water and Sanitation Utilities in Colombia (CO-T1779)", which is currently under preparation, will also complement this operation⁵.
- 2.3 Colombia's admission to the Organization for Economic Co-operation and Development (OECD), in April 2020 entails a commitment to adopting international standards in corporate governance, fiscal discipline, effective stakeholder management, and public administration. The adoption of these principles, among others, aims to strengthen strategic sectors such as water and sanitation (WSA), ensuring efficient, sustainable, and resilient service provision.
- 2.4 Therefore, strengthening water and sanitation utilities in operational efficiency, service quality, innovation, and financial and environmental sustainability is critical to enhancing the sector's performance and the effective provision of water and sanitation services.
- 2.5 In this context, through TC CO-T1457 support was provided to the Ministry of housing, City and Territory for the development of Decree 1510 of 2019, which **establishes guidelines for the adoption of corporate governance practices in utilities with state participation**, aligned with the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2015). Additionally, the CO-T1457 financed capacity building activities aimed at improving the performance of water and sanitation utilities, by strengthening their capacity to plan, execute, and operate infrastructure efficiently and sustainably, resulting in improvements in the quality of service delivery. These initiatives represent a concrete contribution from the IDB to the transformation of the sector, promoting transparency, efficiency and value added in Colombia's water and sanitation services.
- 2.6 Nevertheless, significant challenges persist in the sector. Coverage and water quality gaps remain, as well as challenges in reducing the risk of water insecurity. According to the Joint Monitoring Programme (UNICEF & WHO)⁶, in 2022, still 26% of Colombia's population did not

³ CO-T1457 was approved in 2017 with total financing of US\$15.5 million, as a PSG, funded by the Swiss State Secretariat for Economic Affairs (SECO) and executed by the IDB from July 26, 2017 to March 31, 2025, with an execution rate nearing 100% (US\$15,498,985 disbursed).

⁴ Corporate development is a concept introduced by SECO that emphasizes the need for comprehensive actions across different business areas—operational, financial, human resources, organizational, governance, commercial, and customer relations—in order to successfully transform water utilities.

⁵ It is necessary to continue strengthening the W&S sector, particularly smaller and rural service utilities; not only because it is a priority of Colombia's [National Development Plan 2022-2026](#), but also because it is the logical progression after supporting larger urban utilities under phase I. This complementary sector-wide approach will make it possible to reduce existing gaps in service provision, supporting the reduction of inequities, promoting the universalization of efficient, affordable, sustainable and good quality services for rural, peri urban and small urban communities where the poorest and more vulnerable populations reside. CO-T1779 proposes to explore non-financial solutions to reduce the knowledge gap between financiers and utilities, to continue utilities assessment with AquaRating and VEi V.B support, under the same collaborative model as in CO-T1457 but concentrating on smaller utilities as well as supporting government entities in the development of policies that will promote better W&S services.

⁶ The Joint Monitoring Programme (JMP), is the entity responsible for measuring progress on access to water and sanitation for the Sustainable Development Goals (SDGs), has established metrics with clear definitions that countries should use when collecting data.

have access to safely managed water⁷ and 82% did not have access to safely managed sanitation⁸. As reported by the OECD, in 2021, over one-third of Colombia's population experience water stress due to disparities in water availability. The sector still faces several challenges, such as: (i) high non-revenue-water rates; (ii) low reliability and quality of the information provided by the utilities; (iii) the need for investments in research, infrastructure, technology, and innovation activities; and (iv) funding gap⁹.

- 2.7 Additionally, the latest OECD country report (OECD Economic Outlook¹⁰), highlights the current country's conditions, including the need to increase the adoption of high corporate governance standards at both the national and subnational levels.
- 2.8 In phase I, technical support was provided in for the incorporation of international standards and best practices related to operational, financial, and corporate management in 12 key areas¹¹. Progress was significant, as evidenced by the comparison between the initial and final performance evaluations of 18 utilities (using AquaRating)¹². After implementing the corporate development actions, on average, the participating utilities improved their rating by 19%, with a significant impact on operational efficiency (53% improvement), environmental sustainability (62% improvement), service access (37% improvement), and financial sustainability (22% improvement). This was achieved as a result of corporate development actions focused on reducing non-revenue water, improving asset management capacity, increasing energy efficiency, improving water security, and implementing cost analysis, financial modeling, and strategic planning with long term vision. Originally intended to support 10 utilities, the program ended up assisting 35 water and sanitation utilities that serve to 32 million Colombians (53% of the population) and over a thousand professionals and directors were trained. A third-party evaluation in 2023 highlighted that the main achievement of phase I was shifting focus from just building infrastructure to enhancing corporate development in Colombia's urban water and sanitation sector. In this first phase, the project supported utilities overcoming inefficiencies and bottlenecks, improving service quality, and up-skilling more than a thousand professionals.
- 2.9 To ensure the sustainability of the support provided in phase I, the following challenges need to be addressed: (i) the sector lacks an actor to ensure the continuity of achievements and lessons learned obtained in phase I, and to foster corporate development principles; (ii) there is a persistent disruption to the business strengthening processes due to changes in national and municipal authorities every four years, causing high turnover rates at the corporate level (i.e. managers and boards of directors); (iii) the knowledge and lessons learned generated benefited mostly utilities that participated in phase I and have not yet become public goods because they have not been made widely available to the sector at large; and (iv) the quality and accessibility of sectoral knowledge remain insufficient. All of the above affect the sustainability and corporate development of water utilities.
- 2.10 Additionally, corporate development challenges persist at a systemic level, and it is imperative that more operators integrate in their DNA activities and processes to enhance and sustain technical and organizational capacities and provide better service. Fortunately, there is an increasing demand across water utilities for acquiring knowledge to implement better business practices. This proposed second phase will expand in scale, reaching underserved markets —

⁷ Drinking water from an improved source that is accessible on premises, available when needed and free from fecal and priority chemical contamination.

⁸ Use of improved facilities that are not shared with other households and where excreta are safely disposed of in situ or removed and treated off-site.

⁹ The water sector's perceived risk makes it challenging to access the financial market, despite the strong needs for infrastructure finance.

¹⁰ OECD Economic Outlook, [Volume](#) 2024.

¹¹ (i) strategic planning, (ii) financial modelling, (iii) investment prioritization, (iv) financial and cost management, (v) non-revenue water management, (vi) asset management, (vii) energy efficiency, (viii) water security, (ix) processes optimization, (x) human capital management, (xi) corporate governance, and (xii) financing.

¹² AquaRating offers a comprehensive and impartial evaluation of water utilities' performance, based on indicators, best practices and reliable information. Developed by the IDB, in close collaboration with the International Water Association (IWA).

primarily smaller water and sanitation utilities—while also facilitating knowledge transfer at both national and regional levels.

- 2.11 The Inter-American Development Bank (IDB) has supported and financed numerous initiatives in Colombia's water and sanitation sector at the national and subnational levels. Its strategic involvement has fostered the institutional development of the sector through innovative public policies and targeted investment in both urban and rural areas. Additionally, it has contributed to strengthening the institutional capacity of water and sanitation service providers, particularly through the execution of Technical Cooperation CO-T1457, which supported 35 utilities (large, medium, and small), benefiting more than half of Colombia's population and significantly improving the quality of service received by their customers.
- 2.12 Building upon the outcomes of the TC CO-T1457, Component 1 of this operation leverages prior lessons and results to advance best practices in governance and operational efficiency. This initiative enhances the utilities' capacities for more efficient and sustainable management. Additionally, the IDB's participation in strengthening the institutional framework ensures the continuity and sustainability of the improvements implemented.
- 2.13 IDB's participation will facilitate the adoption of international standards through AquaRating, enabling service providers to assess and improve their performance based on globally recognized criteria and benchmarks. Likewise, it will promote knowledge transfer at both the national and subnational levels, ensuring widespread access to best practices across the sector's stakeholders. This approach generates open-access knowledge and learning products, a public good, enabling the dissemination of innovative methodologies and strengthening sector management. In this way, the IDB ensures that this TC not only directly benefits the participating utilities but also generates a multiplier effect within the water and sanitation ecosystem.
- 2.14 **Lessons Learned.** The second phase takes into account the following results and lessons learned from the previous operation (CO-T1457). a) The considerable performance improvement induced by the application of AquaRating generated a growing interest from a high number of utilities; b) strengthened utilities have a fundamental role to play in the exchange of knowledge and comprehensive improvement of the sector; c) self-regulatory and voluntary multistakeholder platforms such as the Sectoral Action and the WOP-Colombia platform can effectively facilitate collaborative work among water utilities on relevant topics. Phase I impact led to the conclusion that the instruments developed, the experience and the credibility of the program should be seized on a larger scale.
- 2.15 **Beneficiaries.** The direct beneficiaries of the program are the urban water and sanitation utilities which will benefit from the knowledge exchanges, tools and capacity building that will allow them to improve their performance and sustainability¹³. Additionally, this second phase will benefit the entire sector by providing free access to public goods such as knowledge and learning products, and strengthening two successful initiatives financed in phase I: The Sectoral Action for Governance and Business Efficiency (Sectoral Action)¹⁴ and the Water Operators Partnership platform (WOP-Colombia)¹⁵ which are on-track for reaching sustainability.

¹³ 28 utilities serving approximately 24 million inhabitants.

¹⁴ The Sectoral Action is a voluntary initiative with self-regulatory characteristics that was signed in 2019 by 12 of the most representative utilities in Colombia (providing drinking water to 22 million Colombians who wanted to lead the corporate development agenda. They started by signing a voluntary and self-regulatory agreement, in which eight commitments were established. The Sectoral Action promotes dialogue, experiences and good practices sharing, benchmarking and support among themselves to improve performance. For more information: www.accionsectorialdelagua.com

¹⁵ The WOP-Colombia platform was created in 2020, and it's dedicated to strengthening water and sanitation utilities through the promotion of peer-to-peer knowledge exchange between an experienced water utility (senior partner) and a less experienced one (junior partner). The platform fosters knowledge transfer, exchange on lessons learned and experiences. It's derived from the Global Water Operator's Partnership Alliance (by UN-Habitat), and the Water Operators Partnerships platform for Latin America and the Caribbean (WOP-LAC). For more information: WOP-Colombia - ACODAL.

- 2.16 Efforts will focus on collaborating with the two main Colombian associations (non-profit organizations) dedicated to the wellbeing of the water and sanitation sector: the National Association of Utilities and Communications (ANDESCO)¹⁶ and the Colombian Association of Sanitary and Environmental Engineering (ACODAL)¹⁷. The goal is to strengthen and institutionalize the Sectoral Action and WOP-Colombia within their mandate, as they currently serve as technical secretariat but have yet to integrate these initiatives into their core business. As a result, the two sector associations will indirectly benefit from improved service provision to their members, thereby enhancing their position within the sector. Other relevant stakeholders and indirect beneficiaries include inhabitants and businesses receiving improved water and sanitation services, as well as government entities and their staff, universities and students, sector professionals, who will benefit from the knowledge material to be developed by the program¹⁸.
- 2.17 **Gender considerations in the design of this TC.** According to ILO data, women's participation in electricity, gas, and water service companies in Colombia is 19.43%. Additionally, the Global Gender Gap Index (WEF, 2024) indicates that women's participation in the labor market is 52%, compared to 76% for men, resulting in a 24% gender gap. At the national level, the GGI shows that women earn 67% of men's salaries, despite having better academic qualifications—64% of women hold tertiary education compared to 54% of men. For these reasons, it is essential that ANDESCO promotes the development of gender policies for W&S utilities that underscores their commitment to gender equality, equity, and inclusion.
- 2.18 **Strategic Alignment.** This technical cooperation is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact document number (CA-631) and is aligned with the objectives of: (i) Reducing poverty and inequality; (ii) Addressing climate change; and (iii) Bolstering sustainable regional growth, reflected in interventions aimed at ensuring the sustainability and adoption of best corporate development practices in the water and sanitation sector, reaching the regional and local levels for better and more efficient services. This TC is also aligned with the operational focus areas of: (i) biodiversity, natural capital and climate action; and (ii) gender equality as the AquaRating tool will be used to evaluate the current status of water utilities in managing gender and climate change issues, in order to develop action plans and improve performance; (iii) institutional capacity, rule of law, and citizen security; and (iv) social protection and human capital development as the TC will generate a number of public goods that will be available to all sector actors, strengthening their capacity and knowledge for applying best practices in water and sanitation utilities' management. Additionally, the TC is aligned with the Colombia Country Strategy 2024 – 2027 (GN-3238-3), specifically with the strategic objective of "improving access to services in urban areas through interventions focused on water and sanitation services".
- 2.19 The TC is aligned with the Water and Sanitation Sectoral Framework (GN-2781-13), specifically with the premise that "projects and programs are environmentally and socially sustainable and incorporate climate change and environmental and cultural sustainability considerations"; and with the strategy of "Sustainable Infrastructure for Competitiveness and Inclusive Growth" (GN-2710-5) in the priority areas for action of "Promoting access to infrastructure services", "Promoting continuous improvements in infrastructure governance" and "Supporting the construction and maintenance of environmentally and socially sustainable infrastructure". The TC is also consistent with the goals and standards of the Strategic Program for the Development of Countries Financed with Ordinary Capital (OC SDP), whose objectives include: "(i) create opportunities for Public-Private partnerships (PPP) in infrastructure in LAC;

¹⁶ ANDESCO is a non-profit organization created in 1995, that gathers 160 of the most significant public service utilities in Colombia (water and sanitation, solid waste, energy, gas, information technology and communication).

¹⁷ ACODAL is a non-profit organization created in 1956 that has more than 1,500 members including consulting and commercial firms, water and sanitation utilities, universities, professionals and students.

¹⁸ 4 government entities, 10 main universities that have water related programs (200 students per year), and approximately 1100 sector professionals.

(ii) improve the quality of infrastructure projects in LAC; (iii) promote greater investment in the region's infrastructure sector and enhance the performance, quality, and sustainability of infrastructure services; (iv) enhance the quality of design and efficiency in the execution of infrastructure projects; (v) improve the design and monitoring of public policies and the transmission of lessons learned in the infrastructure sector; and (vi) generate and deepen sector knowledge on good infrastructure practices." (GN-2819-14, Section V Window 2: Priority Areas, B. Priority Area 2: Sustainable and Resilient Infrastructure).

- 2.20 The TC is consistent with the current National Development Plan 2022 - 2026 called Colombia - World Power of Life, particularly in the axes of: (1) territorial planning around water, and (2) human and social rights. Territorial planning around water and environmental justice are high priority on the national agenda, proposing a planning model that should promote environmental sustainability, productivity, better public services, and quality of life.
- 2.21 Also, the TC is aligned with the objectives of SECO/WE¹⁹ under the current (2021-2024) and forthcoming (2025-2028) international cooperation strategy and with the foreign economic policy strategy, more specifically with its overall goal to strengthen Colombia's institutions, communities, and civil society. The proposal is framed within objective 3 - sustainable cities and territories, stronger institutions, and better public services - and will contribute to the accomplishment of one of the main measures of the objective related to enhancing water governance and scaling-up of corporate water stewardship.

III. Description of activities/components and budget

- 3.1 **Component 1: Institutionalization of the Sectoral Action within ANDESCO.** This component seeks to foster the sustainability of the Sectoral Action. It will achieve this through the following: (i) Organizational adjustments and funding strategy for the Sectoral Action. The TC will provide technical and legal support for required legal amendments in ANDESCO's organizational structure, its operational manual, and/or processes. Also, in order to ensure sustainability of the Sectoral Action, the TC will support ANDESCO in the development and implementation of a long-term funding strategy²⁰; (ii) Capacity building to strengthen the Sectoral Action towards a wider range of development topics. Based on the demand of the utilities subscribed to the Sectoral Action, it will complement its current focus on corporate governance with other strategic corporate development topics such as, for example: non-revenue water, energy efficiency, circular economy, water security, gender equality, and decarbonization. This will lead to the elaboration of improvement plans related to new corporate development topics and a dashboard with related indicators for monitoring their reporting and compliance for the Sectoral Action utilities. Based on these, knowledge products will be developed and made available to all water utilities in the sector; (iii) Development of public goods and knowledge management. Knowledge development tools will be created based on Phase I results in order to be disseminated to the sector. These tools will include online courses to complement the set of courses already released²¹ in phase I, which will be hosted openly and freely on a public website. Collaboration with universities and water-related academic education programs will be expanded and the TC will finance a module hosted under Sectoral Action's website to facilitate knowledge and lessons learned sharing; and (iv) The developments will be shared with sector entities so that they can be used as inputs for public policy dialogue and targeted programs, and will be disseminated to stakeholders at national, regional and international levels. A dissemination plan will be designed and implemented in order to guarantee that the tools, courses, the web module, and all knowledge generated are known by all relevant stakeholders.

¹⁹ Directorate of Economic Cooperation and Development (WE) in SECO.

²⁰ The annual budget for the Sectoral Action Secretariat is \$15,000. This covers two in-person meetings, the general assembly, and the development of strategic sector analyses and communication materials.

²¹ Governance in water and sanitation utilities, Efficient boards of directors for water utilities, Investment prioritisation for water and sanitation utilities, and Structuring and presenting water and sanitation projects.

Also, knowledge will be presented at high level international events such as the World Water Forum, the World Water Week, OECD biannual meetings or the IWA World Water Congress.

- 3.2 **Component 2. Institutionalization of the WOP-Colombia platform within ACODAL.** The second component seeks the scaling-up and the sustainability of WOP-Colombia's peer-to-peer learning approach, knowledge transfer and technical support under a collaborative environment. The activities will be: (i) organizational adjustments and funding strategy for the WOP-Colombia platform. The TC will provide technical and legal support for required legal amendments in ACODAL's organizational structure, its operational manual, and/or processes. Also, the TC will provide support in the development and implementation of a funding strategy to secure the sustainability of the platform²²; (ii) Expanding technical support between utilities based on the partnership model (peer-to-peer). The TC will support ACODAL in organizing and managing partnerships between water operators, securing them at a larger scale, and reaching smaller urban water service providers. Utilities will register as WOP-Colombia members in order to participate. In the registration process they will indicate their strengths and needs so a match can be made between mentors and beneficiaries. All partnerships are developed on a demand-based approach; (iii) Public goods development and knowledge management. The TC will document lessons learned and business cases derived from experiences in peer-to-peer partnerships. The program will seek to implement a module hosted under ACODAL's website where knowledge and lessons learned are shared. Also, an innovative functionality will be developed to facilitate the promotion, signing and development of partnerships autonomously from the TC financing. (iv) Dissemination to stakeholders at the national, regional, and international level. Achievements and lessons learned developed by WOP-Colombia will be showcased in annual workshops during the ACODAL congress at national level, and by presenting in high level international events such as the Global WOP congress, the World Water Forum, the World Water Week or the IWA World Water Congress.
- 3.3 **Project management and audit.** The project management will include: (i) Project Coordination Unit (PCU): The IDB will create a PCU composed of professionals and a cluster of itinerant technical specialists based on technical topics²³. The PCU will be coordinated by the IDB WSA Specialist in Colombia; PCU members potentially are: a full-time Project Planning and Management Specialist, a full-time Corporate Development Specialist, a full-time Procurement and Administrative Support professional, a part-time Sector Specialist and Technical Specialists with dedication as needed. (ii) Audit of Component 2: ACODAL will hire an external audit in accordance with IDB rules and (iii) Contingencies: A financial reserve is designated to cover potential unexpected expenses necessary for the project's successful development.
- 3.4 **Expected Outcomes:** (i) the Sectorial Action initiative and the WOP-Colombia platform are institutionalized in the two associations; (ii) the two sector associations ANDESCO and ACODAL mobilized additional resources for sustainably financing their corporate development activities in the water sector; (iii) peer-to-peer learning and technical support expanded among water utilities; and (iv) institutional and professional capacity/skills of the water sector improved.
- 3.5 **Key Outputs:** (i) ANDESCO's and ACODAL's capacity building and organizational adjustments plans are developed and implemented; (ii) Sectoral Action's and WOP-Colombia's funding strategy are developed and implemented; (iii) monitoring and evaluation systems for new corporate development topics are designed and implemented within the Sectoral Action; (iv) Sectoral Action improvement plans related to new strategic corporate development indicators are developed; (v) knowledge products are developed; (vi) courses are developed and delivered; (vii) web modules for networking and knowledge exchange are developed;

²² The annual budget for the basic functioning of the WOP-Colombia platform secretariat is US\$18,000. This ensures the coordination and sustainability of the web platform.

²³ In addition to its responsibilities under this TC (CO-T1772), the PCU will also be responsible for executing the CO-T1779 (US\$1.826.000), as well as for coordinating the preparation of a new technical cooperation to be financed with resources from AECID-FCAS

(viii) dissemination plan of products and knowledge to stakeholders are designed and implemented; (ix) International presentations are delivered to position the Sectoral Action and WOP-Colombia and their achievements; (x) partnerships between water utilities are implemented; (xi) business cases are documented; and (xii) workshops are organized to disseminate WOP-Colombia products and knowledge.

3.6 Indicative budget. The cost of this TC is approximately US\$3.208.000, which will be financed with resources from:

- a. A Project Specific Grant (PSG) from the State Secretariat for Economic Affairs SECO– Economic Cooperation and Development. SECO will contribute CHF 2,280,000²⁴ Swiss Franc, equivalent to US\$2.508.000, based on the exchange rate of 1.1, defined at credit proposal stage. The final amount in US dollars will be dependent on the exchange rate of the date when the resources are received by the Bank. If a significant adverse fluctuation in the exchange rate reduces the amount of US dollars in this budget and such amount cannot be covered by the contingency line, the project activities will be reduced accordingly.
- b. The Ordinary Capital Strategic Development Program (OC-SDP), Window 2– Sustainable Infrastructure (W2B), which will contribute US\$600.000,
- c. In-kind local counterpart from ANDESCO and ACODAL, equivalent to US\$100.000.

3.7 The funds will be allocated to contract firms and/or individual consultants based on the delivery of verifiable outputs, as well as the costs of mobilization expenses related to the performance of their functions and other non-consulting services. The work will be guided and complemented by the Bank’s experience (¶ 2.11, ¶ 2.12, ¶ 2.13).

The detail of the costs is presented below, the detailed budget is presented in Annex II.

Indicative Budget*

Activity/Component	SECO (PSC)		IDB (OC-W2B)	Counterpart**	Total
	Executed by IDB	Executed by ACODAL			
Component 1: Institutionalization of the Sectoral Action within ANDESCO	1.061.000		600.000	50.000	1.711.000
Component 2: Institutionalization of the WOP-Colombia platform within ACODAL		448.000		50.000	498.000
Project Coordinating Unit	875.000				875.000
ACODAL Audit		13.600			13.600
Contingencies	110.400				110.400
Subtotal	2.046.400	461.600			
TC total cost	2.508.000		600.000	100.000	3.208.000

*Component 2 and audit will be executed by ACODAL. Other resources by the IDB.

**In-kind contribution from ANDESCO and ACODAL

3.8 SECO Contribution Resources. Resources from SECO will be allocated through a Project Specific Grant (PSG). This PSG will be administered by the Bank according to the “Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants

²⁴ The project amount is CHF2,280,00, equivalent to US\$2,508,000, based on the exchange rate of 1.1 USD/CHF, as reflected in the budget table. This amount results from deducting the 5% non-refundable administration fee of US\$132,000, charged by the IDB, from SECO’s total contribution of CHF 2,400,000 (equivalent to US\$2,640,000).

(PSGs)” (Document SC-114). As contemplated in these procedures, the commitment by SECO has been established through a separate Administration Agreement which was signed by SECO and the Bank on November 1, 2024. Under such an agreement, the resources for this project will be administered by the Bank and the Bank will charge a non-refundable administration fee of 5% of the contribution. The 5% administration fee will be charged upon the Bank’s receipt of the first disbursement of the contribution. The administration fee will be distributed to the Bank’s departments as applicable, in relation to the workload due to preparation, execution, and monitoring of the operation as well as the administration of the PSG Agreement.

- 3.9 Costs include travel expenses for both the PCU members and IDB staff. Costs associated with Bank staff travel will be financed with SECO’s resources²⁵ and are limited to activities essential to achieving the program's objectives and allow the Bank to continue developing the implementation know-how, which can be replicated in other countries. All program documents and records, particularly those supporting financial management, will be under the custody of the PCU. These documents and records must be adequate to: (i) support the activities, decisions, and transactions related to the program, including all incurred expenses; and (ii) demonstrate the correlation of expenses incurred against program resources.

IV. Executing agency and execution structure

- 4.1 INE/WSA will be responsible for the administration, planning, control, and supervision of the assigned financial resources, as well as all activities related to the proper preparation and scheduling of the operation. The focal point at the IDB Country Office in Colombia responsible for the TC execution will be the Water and Sanitation Specialist based in COF Colombia, with a Water and Sanitation Specialist based in Headquarters serving as the alternate contact in his absence.
- 4.2 The Inter-American Development Bank, through the Water and Sanitation Division and ACODAL will co-execute the TC. ACODAL will be responsible for executing Component 2 and the hiring of the audit for this component, while the IDB will execute the remaining components²⁶, as requested by the Ministry of Housing, City and Territory (see Annex I) due to the experience of the two entities in the processes of strengthening utilities and the water and sanitation sector in Colombia. This will ensure that the commitment to the donor to execute the program efficiently is fulfilled, while strengthening the associations.
- 4.3 The Bank gained important experience and knowledge while executing CO-T1457 (phase I) and will bring continuity to CO-T1772 (phase II). A Project Coordinating Unit (PCU) will be created, exclusively for the execution of the TC, with external consultants, and preferably with the professionals who executed phase I²⁷, ensuring a smooth transition and capitalizing on the knowledge acquired and lessons learned; it will also receive support from the Office of Financial Management and Procurement Services for Operations (OP-FMP). In addition to its responsibilities under CO-T1772, the PCU will also be responsible for executing the CO-T1779²⁸.
- 4.4 The PCU will be hired directly by the IDB and will be coordinated by the IDB WSA Specialist in Colombia. The PCU will provide strategic guidance, oversight the implementation of Component 2 activities, and ensure that ACODAL complies with the execution requirements.

²⁵ As approved by SECO in the Credit Proposal.

²⁶ ANDESCO will participate along with the IDB in revision of products and deliverables for Component 1, and will be in charge of their appropriation, use and dissemination.

²⁷ The donor has included in the credit proposal: “The IDB will operate through the existing Project Coordination Unit (PCU) based in Colombia. Continuity in the professional excellence will be ensured by its four existing permanent professionals and a cluster of itinerant technical specialists based on technical topics. The PCU will be coordinated by the IDB Water and Sanitation Specialist in Colombia and is composed by four full-time PCU members and a part-time Sector Specialist. Also, the program will leverage the expertise of the IDB Group in different areas, including legal, finance, procurement, and project reporting”.

²⁸ The Donor approves and recognizes the efficiency of having a single UCP for the two cooperations

- 4.5 ACODAL successfully executed “Work Plan of the Water Operator’s Partnership Colombia Platform (WOP-Colombia)” - CO-T1555 (ATN/MA-17957-CO), demonstrating its capacity to execute this operation; they will have a coordinator, and support from legal, accounting, communications, and the administration of the association. ACODAL is a non-profit professional association with 67 years of existence, bringing together all stakeholders in the water, sanitation, and environment sector. Since 1980, it has been the Colombian chapter of the Inter-American Association of Sanitary and Environmental Engineering (AIDIS). Thus, ACODAL is an important actor with significant influence in the water and sanitation sector, maintaining a close relationship with the IDB, and having the capacity to mobilize and coordinate the execution of this TC. ACODAL will be responsible for the proper execution of activities and the management of resources for Component 2 and the audit of this component. It will also handle accounting and financial management and present the project’s audited financial statements within ninety days of the final disbursement, which will be reviewed by an independent auditing firm acceptable to the Bank²⁹.
- 4.6 **Governance structure.** A Steering Committee will be established as part of the governance structure for project execution. This committee will be composed of SECO, IDB, ANDESCO and ACODAL. The Steering Committee will be in charge of the strategic steering of the project and will discuss and approve annual operation plans, major challenges, and government relations. SECO will have a veto right for important milestones and decisions regarding the strategic steering of the project. SECO Bogota will represent SECO in the Steering Committee and be in charge for day-to-day coordination with the IDB. The IDB will be represented by the Water and Sanitation Sector Specialist in Colombia, and ANDESCO and ACODAL will be represented by their presidents.
- 4.7 **Procurement.** The activities to be carried out under this operation have been included in the Procurement Plan (Annex II) and will be executed according to the procurement methods established by the Bank. Individual consultants and consulting firms, hired by the Bank will follow procurement policies: (i) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (ii) Contracting of services provided by consulting firms in accordance with the Corporate Procurement Policy (GN-2303-33) and its Guidelines. The contracting of consultancy services executed by ACODAL shall be carried out in accordance with the policies for the selection and hiring of consultants financed by the Inter-American Development Bank (GN-2350-15, Appendix 4). ACODAL must consider in its processes the eligibility requirements (origin and nationality), as well as those of integrity (prohibited practices) established in section I of the IDB policy documents. ACODAL will carry out the financial management of the components that it is executing, in accordance with the Bank’s Financial Management Guidelines OP-273-12 or subsequent updates. The Bank will notify ACODAL of any updates to policies and procedures. The terms of reference for ACODAL’s contracts will require the Bank’s no-objection. The execution period will be 39 months.
- 4.8 According to the current IDB regulation, disbursements to ACODAL will be made through advances of funds, based on actual liquidity needs. Additionally, to request a new disbursement, ACODAL must present a justification of expenses for at least 80% of the non-justified advance of funds balance. ACODAL will present financial and progress semi-annual reports, in line with reporting obligations of the IDB to the donor. Additionally, they will present the non-audited special purpose project’s financial statements every year.
- 4.9 **Monitoring.** IDB will have overall responsibility for project implementation, fiduciary responsibility, and the progress and financial reporting to SECO. SECO Bogota, together with SECO headquarters, will validate these reports. The project team will be responsible for the

²⁹ ACODAL was audited regarding the implementation of CO-T1555 with the result that they complied in all substantial aspects with the contractual clauses of an accounting and financial nature of the Non-Refundable Technical Cooperation Agreement ATN/MA-17957-CO signed with the IDB and the laws and regulations applicable.

preparation and submission to the donor of the project reporting, in compliance with the stipulations of the Administration Agreement. IDB will provide SECO with semi-annual operational and financial reports and a final report at the end of the Program. Monitoring and reporting of results will be a collaborative effort between IDB, ANDESCO and ACODAL.

The monitoring of the TC execution will be carried out through: (i) technical working meetings with the executor; (ii) result and activity reports; and (iii) other progress and completion reports required according to SECO and IDB policies. No transaction costs related to the Bank's supervision are anticipated.

V. Major issues

- 5.1 The overall risk of the project is estimated medium - low, as it builds upon well-established partnerships and upon "low-hanging fruits" with regards to fostering sustainability of the results achieved in phase I. The main risks identified include: (i) the institutional restructuring and rotation of management level staff in the utilities and to a far lesser extent in the associations; (ii) a lack of political will and commitment from the new local authorities elected in 2023 and the boards of directors from the utilities; (iii) a lack of willingness to pay a subscription fee from the members and a lack of alternative funding sources to sustainably finance the Sectoral Action and the WOP platform; (iv) the loss of key members of the program implementation team; (v) the non-compliance of ACODAL with the IDB's standards for procurement and financial management (execution of component 2); and (vi) an increasing security risk in certain cities in Colombia.
- 5.2 These risks are mitigated through: (i) continuing working with second and third level employees who remain in the utilities despite the changes at the management level; (ii) on-boarding events with the new mandate holders to discuss the program's scope and benefits and to sign memorandums of commitment; (iii) further adjusting the budget needs of the Sectoral Action and the WOP platform to the willingness to pay of its members and explore alternative sources of financing (fundraising events, etc.); (iv) continuous feedback with the project team, discussion and solution of problems, fostering a culture of appreciation; (v) close supervision by the PCU will be maintained over ACODAL's execution. Additionally, a fiduciary specialist will be assigned to support procurement and financial processes, including the provision of fiduciary training prior to the start of operations and, if needed, throughout execution; and (vi) monitoring security alerts in collaboration with the IDB's security office and adapt program activities accordingly.
- 5.3 The knowledge products generated from Bank-executed activities within this technical cooperation will be the property of the Bank and may be made available to the public under a creative commons license. However, at the request of the beneficiaries, in accordance with the provisions of AM-331, the intellectual property of said products may also be licensed through specific contractual commitments that shall be prepared with the advice of the Bank's Legal Department.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to Bank policy.

VII. Environmental and Social Aspects

- 7.1 This TC will not finance feasibility or pre-feasibility studies of investment projects with associated environmental and social studies; therefore, it is excluded from the scope of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client_9440.pdf](#)

[Results Matrix_97436.pdf](#)

[Terms of Reference_36103.pdf](#)

[Procurement Plan_82754.pdf](#)

Required Electronic Links:

- REL#1 - [Letter of request](#)
- REL#2 - [Terms of Reference](#)