

## Rural Water Program

(JA-0113)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Government of Jamaica (GoJ).	
<b>Guarantor:</b>	Government of Jamaica (GoJ).	
<b>Executing Agency:</b>	Ministry of Water and Housing.	
<b>Amount and Source:</b>	IDB: (OC)	US\$10.0 million
	Local:	US\$ 2.5 million
	Total:	US\$12.5 million
<b>Financial Terms and Conditions:</b>	Amortization Period:	25 years
	Grace Period:	5 years
	Disbursement Period:	5 years
	Interest Rate:	Variable
	Supervision and Inspection:	1%
	Credit Fee:	0.75%
	Currency:	Single Currency Facility
<b>Objectives:</b>	To improve the sanitary and health conditions of rural areas in Jamaica by increasing coverage of potable water and sanitation services in poor areas defined as such in the Jamaica Poverty Map (JPM).	
<b>Description:</b>	The Program consists of financing the extension of potable water and basic sanitation systems to poor communities that lack such services. To ensure their sustainability, the Program is based on community participation principles and encouraging private sector participation in the construction, operation and maintenance of the systems. It is anticipated that the Program will bring water services to over 25,000 inhabitants. The Program also contemplates a strengthening component of the Ministry of Water and Housing (MOWH) in order to accelerate present and future increases in the coverage of rural water in the country.	

**Bank's Country and Sector Strategy:**

The Country Paper for Jamaica (GN-2025) defines two overriding objectives. The first is to support the establishment of a satisfactory macroeconomic environment, and the second, to support a process of structural adjustment and reform aimed at promoting an improved environment for long-term private sector led growth and development. The Bank will seek to attain these objectives by concentrating its activities in five priority areas: (i) financial sector restructuring and reform; (ii) private sector development; (iii) public sector modernization; (iv) social development; and (v) environmental management.

The proposed Program will contribute to the implementation of the strategy because it has a direct impact on the social development component, since it aims at improving the sanitary conditions of at least 25,000 inhabitants in poor rural areas of the country. It also contributes to the private sector development component of the strategy because it seeks to create a partnership between the communities, the private sector and the GoJ in the construction, operation and maintenance of the water systems.

**Environmental/Social Review:**

Given the type of works included in the Program, the potential negative environmental impacts can generally be expected to be small in magnitude, localized, and confined mainly to the construction phase. To address these impacts, relatively simple and easily applied mitigation measures are available. These include careful planning and supervision of the works, which are contemplated in the Operating Regulations of the Program.

**Benefits:**

The Program is expected to have a positive impact, since increased access to potable water and sewerage services will improve the health and the life quality levels for the beneficiary population. In particular, the Program will benefit the country's poorest populations, which are distributed across a wide geographic area. Other groups that is expected to benefit in particular from the Program are women and children, who are generally responsible for transporting water and caring for the health of their families. The Program will promote the active involvement of woman in Program activities and, especially, their participation in the Community Water Organizations (CWO).

**Risks:**

- (i) **Risk:** The Ministry of Water and Housing's (MOWH) capacity to channel Program's funds to the CWO.  
**Mitigation:** MOWH will receive support from private firms that will assist the Project Implementation Unit

(PIU) and an institutional component to strengthen the MOWH is included.

- (ii) **Risk:** Sustainability of the systems after they are constructed and turned over to the CWO. **Mitigation:** Community participation and the rates to be applied by the CWO will be sufficient to cover all the operation and maintenance costs of the services. The Office of Utilities Regulation (OUR) will authorize tariffs for each community.
- (iii) **Risk:** Lack of adequate interest from local entrepreneurs in the Build-Operate contracts. **Mitigation:** The Project Implementation Unit (PIU) will promote the Program among the private sector and will carry out a financial feasibility analysis before the call for bids, guaranteeing an adequate rate of return.
- (iv) **Risk:** Community capacity to sustain the operation of water supply systems given the lack of demonstrated success in this area. **Mitigation:** the Program considers a component of community development and assistance to the MOWH in Community Development training.

### Special Contractual Clauses:

#### Prior to first disbursement:

- (i) Contracting of the PIU Program Director and a plan to hire the other members of the PIU (see paragraph 3.1).
- (ii) The final text of the Program's Operating Regulations has been presented to and approved by the Bank (see paragraph 3.2).

#### Prior to disbursement for works:

- (iii) Signature of the contracts with Program firms (see paragraph 3.9).
- (iv) Signature of the Memorandum of Understanding between the Community Water Organizations (CWO) and the MOWH (see paragraph 3.11).

#### Others:

- (v) Any changes in the Program's Operating Regulations shall require previous agreement between the parties (see paragraph 3.2).

<b>Poverty-Targeting and Social Equity Classification:</b>	This operation qualifies as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a Poverty Targeted Investment (PTI) (see paragraph 5.12). The borrowing country will be using the 10 percentage points in additional financing (see paragraph 2.15).
<b>Exceptions to Bank Policy:</b>	No.
<b>Procurement:</b>	International competitive bidding will be required for procurements valued at US\$250,000 in the case of goods, US\$1,500,000 in the case of construction works, and US\$200,000 in the case of consulting services. Bidding for items valued under these amounts will be carried out in accordance with national legislation, which is compatible with the Bank's procedures.

