

ANNEX

THE PROGRAM

WSC Support Program - New Providence Water Supply and Sanitation Systems Upgrade

I. Objectives

- 1.01 The general objective of the Program is to improve the efficiency and quality of service provision of potable water, address immediate problems of sanitation in New Providence, prepare for the implementation of economic and environmental regulation, and create and support the corresponding regulatory entities.
- 1.02 The specific objectives of the Program are to: (i) reduce water losses; (ii) strengthen the institution of the WSC; (iii) upgrade and rehabilitate selected sewerage infrastructure; and (iv) improve the legal and regulatory framework of the sector.

II. Description

- 2.01 In order to achieve the abovementioned objectives, the Program will implement the following components:

Component 1: Non-Revenue Water (NRW) Reduction

- 2.02 This component will finance a NRW reduction contract to address water losses in New Providence. The activities will be as follows: (i) perform a Baseline Survey and prepare a detailed NRW reduction strategy; (ii) leak detection and repairs; (iii) construction works and equipment including mains and service lateral replacement, pressure control, data collection and monitoring; (iv) NRW/asset management information system (MIS) that integrates key existing WSC systems such as Geographical Information Systems (GIS), Work Order Management (WOM), customer information, and network analysis; (v) NRW training for WSC staff; and (vi) consulting services to assist with execution.

Component 2: WSC Institutional Strengthening

- 2.03 This component will finance several activities geared towards: (i) introducing and integrating supervisory control and data acquisition (SCADA) capabilities to improve system monitoring and design operating improvement actions; (ii) utilizing automatic reading meters in targeted accounts to improve staff productivity and customer service; (iii) carrying out a winning back customer campaign, geared to customers who have moved to individual private well supplies as a result of deficient service levels; (iv) developing and implementing the new organizational structure of WSC, including: an operational strategy design, a human resources strategy, the definition of benchmark performance standards to prepare WSC for regulation by the Utilities Regulation and

Competition Authority (URCA), and training WSC's personnel; and (v) carrying out a tariff study and a scheme proposal in alignment with the new sector economic regulation.

Component 3: Rehabilitation and Upgrade of Sewerage Infrastructure and Preparation of a Wastewater Treatment Master Plan

- 2.04 This component will finance the rehabilitation of: (i) malfunctioning infrastructure that is causing environmental and potential health problems; (ii) critical lift stations, which require civil/mechanical/electrical and security upgrades; and (iii) collection systems and force mains, to address failing and inefficient/ineffective sewers. It will also finance the preparation of a wastewater master plan to address the wastewater collection, treatment, and disposal needs of New Providence. The master plan will also include the necessary technical, social, environmental and financial analyses.

Component 4: Upgrade Legal and Regulatory Framework

- 2.05 This component will finance the: (i) hiring of consultants to draft economic regulatory bylaws, and to train personnel, that will be utilized by URCA in its expanded responsibilities as water and sanitation regulator; and (ii) hiring of qualified staff, training, laboratory upgrade, office rental and drafting of various bylaws that will be required to establish the new independent environmental regulator, through the reorganization of existing units in the Ministry responsible for the Environment (MRTE). After the program implementation concludes, the Guarantor will finance any recurrent costs related to the office rental and staff for the new independent environmental regulator.

III. Total Cost of the Program and Financing Plan

- 3.01 The total cost of the Program, estimated in the amount of US\$81,000,000, will be distributed among the following categories of expenditures:

(in US\$)

Category	Bank	Local	Total
1- Program Administration			
1.1 Program Management and Supervision	1,820,000		1,820,000
2- Direct Costs			
2.1 NRW Reduction	49,000,000		49,000,000
2.2 WSC Institutional Strengthening	5,500,000		5,500,000
2.4 WW Infrastructure and Master Plan	15,580,000		15,580,000
2.5 Legal and Regulatory	3,000,000		3,000,000
3- Concurrent Costs			0
3.1 Auditing	120,000		120,000
3.2 Monitoring and Evaluation	460,000		460,000
4. Unallocated			0
4.1 Contingencies	3,120,000		3,120,000
4.2 Financial Charges	2,400,000		2,400,000
Total	81,000,000		81,000,000
Percentage (%)	100%	0%	100%

IV. Execution

- 4.01** For the implementation of the Program the WSC will establish a dedicated Program Management Unit (PMU), which will be composed as a minimum by the Program Manager; a senior level Engineer for Component 1; and a senior level Engineer for Component 3. The PMU will be supported with a senior level Auditor (Internal Control and Compliance Unit) and an administrative assistant. Additional support, operating from their specific units will include: a senior level Legal Counsel (Administration Department); a mid-level Financial Management specialist (Management Accounts Unit); and, a mid-level Procurement specialist (Purchasing Department). In addition, WSC will hire consultancy services, as part of the PMU staff, for the five years of execution, to supervise its execution and leave installed capacity in WSC's staff.
- 4.02** The PMU's specific responsibilities will include: (i) coordinating and supporting the preparation of the Annual Operating Plans (AOP); (ii) preparation of budget, Program accounting, and requests to replenish the Program's funds; (iii) preparation of annual procurement plans and the processing of procurement for goods, works, non-consulting services and consultants for the Program; (iv) coordinating the preparation of technical reports and the periodic and end-of-year financial reports; (v) monitoring and evaluating the progress of the execution of Program's activities and analyzing variances of actual results against plans in all components; and (vi) serving as a liaison for the Program and the Bank. Each fiscal year during the Program execution, the PMU will produce semi-annual financial reports for the Program and will hire a firm of independent public accountants for the preparation of the annual audited financial statements referred to in Section 5.03 of the Special Conditions.
- 4.03** The PMU will be responsible for developing the system for gathering and maintaining the data related to the different indicators included in the Results Framework. An evaluation consultant will be hired by the PMU during the first semester of execution to assist in determining the methodology and gathering the data for the baselines of Program indicators. Progress toward meeting the different targets will be evaluated and communicated to the Bank in the semi-annual progress reports.
- 4.04** The WSC General Manager and executives will provide strategic direction, coordination and support for Program execution. The Program Manager will be responsible for monitoring progress against agreed benchmarks and assessing the continued viability of the Program.
- 4.05** For activities comprised in Component 4, MRTE will chair a Committee with representatives from WSC, MOF, URCA and The Attorney General's Office that will oversee execution and performance of this component. This Committee will be responsible for the achievement of all economic indicators with implications for the Program and the timely delivery of legislation' and for the Economic and Environmental Regulatory functions by the fifth year of the Program. The Committee will be chaired by the line ministry responsible for the WSC and the WSC will be a member of the Committee, but will not have any veto power on the decisions approved by the rest of the

members of the Committee. The draft terms of reference of the operating procedures for the Committee will be detailed in the Operations Manual for the Program, and the final operating procedures will be approved by the Committee during its first meeting.

- 4.06** *Annual Operating Plans (AOPs)*. The Program will be executed following the AOP that will be included for each activity in the annual program: its goals, budget, source of funding, and responsibility for execution. The Program's OM will set forth the details regarding Program execution, including coordination of activities among different offices. The need to update the Program's Operations Manual will be assessed during the midterm review.
- 4.07** *Operations Manual (OM)*. The implementation of the Program will be governed by the terms and conditions set forth in this Contract and in the OM approved by WSC's Board, with the prior non-objection of the Bank, on the understanding that changes can be introduced into the OM with the prior written approval of the Bank. The overall need to update the OM will be assessed yearly during Program implementation. If any provision of the OM should present any inconsistency or contradiction with the terms and conditions set forth in this Contract, the provisions of this Contract shall prevail.