



The Global Partnership on Output-Based Aid

TERMS OF REFERENCE FOR OUTPUT-BASED AID (OBA) INDEPENDENT VERIFICATION AGENT (IVA)¹

WATER AND SANITATION

I. Background

II. Project Description²

1. OBA scheme/project or component objective [as applicable depending on whether OBA scheme is a component of a larger operation with other input-based components or fully output-based]
2. Funding structure (total project size, percentage covered by service provider, customer and WB/GPOBA)
3. Target area/beneficiaries
4. Community/household eligibility criteria
5. Output definition³
6. OBA subsidy level - unit cost per output and affordability
7. Subsidy disbursement system
8. Implementation arrangements and flow of funds
9. Role of independent verification for triggering subsidy disbursement

III. Objectives of the Assignment

The objectives of the IVA are to (i) verify that the pre-agreed outputs [as defined in the OM] have been physically delivered and properly documented, and (ii) make recommendations on disbursement amount of the OBA subsidy to the service provider by [fiduciary agent/implementing agency/WB/GPOBA⁴].

¹ These draft terms of reference have been developed as a guide on the main issues that should be included in a typical scope of work for an IVA. They are intended to provide guidance on the sorts of issues which should be included. This document is not meant to be an exhaustive list of issues to be included as these will vary depending on the type and scope of the project concerned.

² Disclosure: The information provided in this section is solely intended to offer a cursory summary of this project and its objectives. The Independent Verification Agent selected for this work must review and thoroughly understand all project documents beyond what is provided here. The information provided in the project's Grant Agreement and Operations Manual shall supersede all information provided in these Terms of Reference.

³ Typical physical monitorable outputs for urban water and sanitation projects include: effective installation of house or yard connections including meter; public standpipes; sewer connections; on-site sanitation facilities, according to technical specifications. Outputs for rural independent water systems include: water intake; pumping station; storage tank; distribution network; house/yard connections; standpipe; latrines. Service outputs include: satisfactory operation of installations after x months; water quantity/x months billed; monthly revenue levels.

⁴ (ii) is a recommendation, **not** clearance of service provider's invoice. It is the TTL's responsibility to clear claims.

IV. Scope of Work

Task 1: Baseline Verification

1) Collect/or validate/or update [as applicable] baseline data

- Baseline data definition for OBA projects typically include: (i) access rate in project's target areas/communities [i.e. percentage of population currently served, e.g. existing number of functioning piped water house connections; existence of safe water points for X households/community], (ii) level of service [e.g. water quality, hours of service]; (iii) poverty proxy. [(iv) may include demographic information such as family size, and quantitative indicators of development impact such as health outcome, time saved]
- Baseline work will require documentation both review and visiting a sample of [households/communities] (minimum [X%])

Notes: 1) Baseline data collection only applies in the case above specific data that have not been collected as part of project preparation (for example different data have been collected).

2) Baseline validation does not apply if an independent consultant had carried out baseline data collection.

3) Baseline data update only applies if project effective over [18 months] after Bank approval.

2) Verify that targeted beneficiaries are eligible for the proposed subsidized [outputs] against eligibility criteria as defined in Operational Manual.

This task will require visiting a sample of [households/communities] (minimum [X%]).

Task 2: Output Verification

Objective: Verify relevant pre-agreed indicators as evidence of achievement of outputs claimed

In order to validate the subsidy claim submitted by the service provider, the IVA will verify all pre-agreed indicators as evidence of the achievement of the outputs claimed, through an exhaustive desk review of the service provider's records. Specifically, this review is intended to certify that (i) the number of [outputs] achieved for which the subsidy payment is requested is real, (ii) the quality of the outputs complies with agreed standards, and (iii) claimed output reimbursement is consistent with agreed unit reimbursement.

Typical indicators include:

- Claimed number of installations/facilities is effectively completed
- Installations/facilities are of required standards [meter, drainage around connection]

- Pre-determined user contribution has been received (upfront contribution, tariff as applicable)
- Level of service provided/used (e.g. household monthly water consumption, revenue from water sale)
- Unit cost is in pre-agreed range
- Amount of subsidy per output requested is equivalent to pre-agreed subsidy level
- Measures for sustainable service are in place (existence of updated client database, user financial deposit/service agreement)
- Evidence of targeting of beneficiaries (e.g. poverty assessment score sheets or address)

In addition, the IVA will check if adequate procedures (e.g. up-to-date customer database) are in place to ensure that no outputs are subsidized that have been delivered prior to the project start date (in the case of retroactive financing the cut-off date) or that have been funded by other sources (e.g. other donors or customers paying unsubsidized fees). The IVA is encouraged to make recommendations as to how to ensure this.

Task 3: Physical Verification

Objective: Verify reality and quality of outputs claimed

The IVA will carry out on-site random physical verification of at least X% of [households/outputs] for which a payment is requested. For each [output], the IVA will physically certify that it is properly installed according to the applicable regulation/required standards stated in the Operational Manual, and will verify the associated records kept at the offices of the service provider (in relevant cases, at household level).

In addition, the IVA will undertake a short household questionnaire on 1) service quality, and 2) *for GPOBA-funded projects only*, gender aspects, i.e. a) number of females in the households/community, 2) the impact of GPOBA project on the lives of women/girls.

The physical verification will apply to both newly delivered outputs for the [quarter] considered, and previously delivered outputs that must be continued for the pre-agreed amount of time (i.e. output delivery schedule).

Sequence of the work may be as follows:

- a) Physical verification of completion and functionality of installations
- b) Test/verification of conformity of installations with applicable law or regulation, effective operation of the service, proper drainage around installation
- c) Pictures of each installation (e.g. meter and tap, meter count, beneficiary's house/living environment)⁵

⁵ This procedure is recommended when project targeting is not income-based.

- d) GPS positioning and rough estimate of length of connection from tertiary network, where relevant and possible (e.g. urban)
- e) Questions to beneficiary household/community members:
 - satisfaction on service level (hours of service, quality e.g. water color, smell)
 - how many females (women and girls) live in the household *-required only for GPOBA-funded projects*
 - what change project has brought to women/girls lives - *required only for GPOBA-funded projects*

Task 4: Sustainability of Quality Service Verification

Objective: Verify service provided is continuing⁶ (according to acceptable standards) and users are satisfied, through both documentation review and physical checks

At the end the specified period of output delivery, the IVA will verify that the service provided is continuing (according to the specified standards) and users are satisfied, through both documentation review and physical checks, as follows:

- a) Technical and financial records/audited performance reports/statements: same as listed in Task 2 above.
- b) Scheme management records, as required - Rural and/or peri-urban specific
- c) Water quality tests undertaken demonstrating that [installations/facilities] continue to meet standards per applicable law or regulation

Sample will be [X]% of the outputs purported to be working in past [three]/[six] months].

[OPTIONAL] Task 5: Project Data Collection

To be completed in close collaboration with implementing agency responsible for overall project oversight/M&E or the project technical and financial auditor.

[Annually] verify some of the following as required in project OM (vary by project):

- a) Baseline summary
- b) Comparison with projections
- c) Average household consumption
- d) Average amount of monthly user bill
- e) Average monthly collection rate
- f) Average project cost per beneficiary and per output
- g) Average unit cost and evolution over time
- h) Average amount of contributions received for each output: users, World Bank, service provider, others
- i) Average subsidy per beneficiary and per output
- j) Average hours of supply, number and duration of interruptions

⁶ In the case of water connections, the terms ‘continuous service’ should not be confused with continuity of supply.

- k) Any requests rejected or user complaints received
- l) Gender aspects as required

V. Methodology and Resources

Documentation review will typically include the following:

- a) Technical records - designs, contracts, commissioning certificates, completion of works, results of water quality tests undertaken -to verify: (i) number and quality of [installations] achieved for which subsidy payment is requested, and (ii) unit cost for each installation
- b) Financial records/audited statements -to verify (i) upfront user contribution received; (ii) number of months tariff was paid as applicable; (iii) consumption reading as relevant (if metering required as part of the service); (iv) revenue from water sale; (v) other funding received; (vi) GPOBA contribution claimed
- c) Contractors invoices – to verify (i) actual unit cost; (ii) invoicing for the works compliant with contract specifications
- d) Signed service agreement with each beneficiary
- e) Client record/database or general procedures for registering client demands for new service – to verify eligibility criteria of beneficiaries as per OM criteria were respected; allows sufficient distinction from outputs funded prior to project start and/or from another source than GPOBA

For physical verification, the sampling methodology proposed by the IVA will have to be acceptable to the hiring agency and the World Bank. Possible sampling of households may be done randomly (e.g. any output in project area), or in two stages: random selection of specific areas followed by the verification of all OBA outputs in the selected areas. In all instances samples must be representative samples and provide a good indication of outputs achieved in the given service area.

VI. Deliverables

Inception Report: This report will describe the pre-investment conditions (i.e. the conditions prior to the OBA grant) in each area/community that will directly benefit from grant funds, will demonstrate that eligibility criteria are met, and propose (i) a format for the subsequent Output Verification Reports, and (ii) sampling methodology for physical verifications. This report will be submitted prior to the first subsidy disbursement request.

[Quarterly] Output Verification Reports: These reports will contain a summary of baseline conditions along with a detailed description of the post-investment situation in each community according to the information listed in Task 1 to 4 above, and as appropriate, with the M&E data listed in Task 5 above on an [annual] basis. Each report will be delivered to the hiring agency with a copy to the World Bank [X] days after the issue of the disbursement request for comments. After the IVA report is finalized, based on comments received, the implementing agency/service provider will attach the IVA report together to each disbursement request to process the subsidy payment.

VII. Selection of the Independent Verification Agent and Minimum Qualifications

The Independent Verification Agent for this project will be selected following the World Bank's Guidelines: Selection and Employment of Consultants by World Bank Borrowers (May 2004, Revised October 2006). The Consultant may be a firm or an individual consultant. The selection method will be either QCBS, fixed budget, or comparison of consultants.

The Borrower or grant recipient will execute the consultant selection process. In exceptional circumstances, the World Bank will execute the consultant selection process, e.g. if there is explicit conflict of interest between the hiring entity and the task of the IVA.⁷

Typical general qualification requirements include:

- Engineer demonstrating minimum of [10] years of relevant experience in WSS and regional/country experience
- Economist/financial specialist demonstrating minimum of [10] years of relevant experience in WSS and regional/country experience
- Be fluent in the languages of the project's target population or have the capacity to obtain translation services
- Survey support staff knowledgeable in culturally appropriate practices needed to work with the project's target population

VIII. Duration of the Assignment

The duration of this assignment is expected to be [Project Duration] years. The consultant is expected to start the assignment [date before construction works start/effectiveness].

The consultant may be required to perform additional task through a conditional tranche, subject to satisfactory performance and funding availability.

IX. Inputs to the Consultant

- Financing agreement
- Operational Manual
- Standard conditions for Grants made by World Bank
- Disbursement guidelines for WB Loans/Grants
- Memorandum of understanding
- Relevant project related studies, e.g. feasibility studies, poverty assessment, willingness to pay/affordability studies

X. Payment Schedule

⁷ In addition, project financial/technical auditors may qualify for IVAs if there are sizeable economies of scale and it is possible to add IVA tasks in the auditor's TOR. An assessment will be made by the project team as to whether combination of the auditor and IVA roles could be made based on considerations such as, obvious task overlaps, common use of international experts/travels, possibility of a more consistent contract generating more interest and competition by bidders in risk-countries, minimizing reporting requirements for small projects.

The Independent Verification Agent's services shall be remunerated in installments as suggested below, with each deliverable being linked to a specific amount expressed as percentage of the total contract amount according to the following criteria:

| | | |
|-----------------------------|------|--|
| Contract Award | 10% | One installment |
| Inception Report | 20% | One installment |
| Output Verification Reports | 70% | XX installments depending on the number of OVRs required |
| Total | 100% | XX installments |

XI. Reporting and Management of the Assignment

The selected consultant will work under the overall guidance of the [hiring entity]. The consultant will also work closely with [relevant agencies, stakeholders] throughout the assignment. The main contact will be [XXX].