Terms of Reference (TOR)

Water.org WaterCredit Market Assessment (WMA)
Brazil

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I. INTRODUCTION & BACKGROUND

About Water.org

Water.org is a U.S.-based non-profit organization working to increase access to water and sanitation by working with a variety of partners to deliver innovative programs and products. Water.org’s WaterCredit initiative leverages the existing relationships, infrastructure and expertise of financial institutions (FIs) to increase access to capital for water and sanitation (WS), and to educate and empower low-income households to invest in WS facilities. Water.org launched WaterCredit in 2003 to provide FIs with targeted subsidies and technical assistance so as to build their capacity to offer water and sanitation financial products to those living at the base of the economic pyramid (BOP). WaterCredit supports a range of FI activities related to the development of sustainable WS loan portfolios, including:

Snapshot of Water.org’s WaterCredit Program
(as of January 2014)

- 33 WaterCredit partner organizations in Bangladesh (since 2003), India (since 2004), Kenya (since 2005), and Uganda (since 2010), reflecting a blend of non-profit and for-profit entities
- More than 243,000 loans made, totaling in excess of US$45 million, with more than 1.1 million people benefiting directly from WaterCredit loans
- Average WaterCredit loan: US$ 188
- Percentage of WaterCredit clients who are women: more than 92%
- Average global WaterCredit loan repayment rate: 99%
- Water.org has invested more than $8.6 million in WaterCredit additional capital investments from commercial financial institutions.
• Market research;
• WS financial product development and marketing;
• Community mobilization;
• WS education/training; and
• Institutional capacity building.

Water.org also works with FIs to connect them with WS and microfinance stakeholders and facilitate knowledge sharing and collaboration, including:

• Commercial banks;
• WS non-governmental organizations;
• Community-based organizations;
• Local and national governments;
• Water and sanitation utilities; and
• Other WS service providers and product manufacturers.

Under WaterCredit, FIs have flexibility to use their existing lending methodologies and develop products that finance locally appropriate WS facilities. Loan product design is based on market research analyzing key variables such as local needs and preferences, existing WS infrastructure and services, and product affordability. WaterCredit supports product development and roll-out; at program end, FIs have sustainable WS microfinance products integrated into their product offerings.

WaterCredit first began in Bangladesh in 2003 and has since expanded into India, Kenya, and Uganda through the generous support of donors including the Caterpillar Foundation, the MasterCard Foundation, and the PepsiCo Foundation. In 2011, Water.org and Kiva launched a global collaboration to further expand the reach of WaterCredit by leveraging the organizations’ expertise, FI partner networks, and supporters. Water.org is currently launching WaterCredit programs in Peru and Indonesia and is exploring potential expansion to additional countries in Latin America, Asia, and Africa. Water.org WaterCredit market assessment information for Indonesia, Peru, Bolivia and other countries is available at [http://watercredit.org/library/](http://watercredit.org/library/).

To date, WaterCredit loans for water access have financed network connections, protected wells and boreholes, water pumps, rain water harvesting systems, waterless toilets, and storage tanks. Loans for sanitation access have financed toilet and latrine construction, septic tank installation, and sewage network connections.

Additional background information is available at [http://water.org](http://water.org) and [http://watercredit.org](http://watercredit.org).

**WaterCredit Expansion to Brazil**

As part of the effort to potentially expand WaterCredit to Brazil, Water.org will contract with a third-party organization (Consultant) to undertake a WaterCredit Market Assessment (WMA) of the microfinance and WS sectors in Brazil to gauge and estimate potential opportunities for WaterCredit. The Consultant will be responsible for the research, collection and analysis of primary and secondary data; and preparation of an assessment and related documentation as provided herein. The following document outlines the Terms of Reference (TOR) which Water.org anticipates for this assessment.
II. WMA OBJECTIVES & CONTENT

The WMA is expected to cover the following topics and include the following analyses. A report outline with specific data and information requirements is provided in Annex 1. The use of tables and charts to present information is strongly encouraged.

1. Provide an overview of the water and sanitation market including access rates, customer costs and financing options, types of providers, specific major providers, product manufacturers and NGOs, development agencies and government agencies involved in water and sanitation provision
2. Provide an overview of the microfinance market and landscape including sector trends, types of providers, prevalence of WS finance and general home improvement finance and current challenges
3. Assess potential demand for water and sanitation microfinance as determined through at least 25 focus groups conducted in a mix of urban and rural areas
4. Investigate and analyze potential challenges and opportunities for WaterCredit:
   a. Identify potential FI partners that have more than 40,000 loan clients, have experience in WS finance and/or express interest (and demonstrate capacity) to pursue WaterCredit
   b. Ascertain the general types of loan, savings and insurance products, the cost to the borrowers (interest rate, fees) and if any products are mandatory
5. Explore and analyze the range of financing opportunities, including:
   a. Presence of active domestic and regional social investors, such as, but not limited to, Oikocredit and Kiva, who may be willing to provide WASH-directed lending capital through debt or equity investments to (future) partner financial institutions.
   b. Domestic and international remittance services available, listing companies, products, market share, pricing, and marketing schemes to both the domestic market and the diaspora
   c. Determine the financing mechanisms in use by utility providers and product manufacturers
6. Recommend strategies for launching WaterCredit in Brazil, including the following:
   a. Appropriate role/strategy for Water.org considering existing WS/microfinance efforts
   b. FIs which are believed to be the best potential WaterCredit partner candidates (to develop and launch WS financial products with support from Water.org) and their qualifications
   c. Best geographies for WaterCredit expansion and why
   d. WS products and services most likely in demand, e.g. household connections to water networks, water tanks, wells, VIP latrines, toilets with septic systems, toilets with sewer connections, etc.

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1 Consultants can also consider surveys if they deem them appropriate and practical for collecting the specified information
2 WaterCredit loans have typically focused on household level investments (microloans) but Water.org is open to exploring opportunities for larger loans to community based organizations and private service providers. This may be particularly relevant where community level infrastructure is needed.
e. Appropriate WS financial products (credit and savings products) including potential structure, amount, terms, collateralization (if any), etc.
f. Possible linkages to government WS programs (e.g. promotion, subsidies to households, etc.)
g. Potential partner WS service providers and/or product manufacturers/distributors, their roles and the rationale for each partnership (e.g. water or sanitation utilities, water tank providers, toilet/septic tank construction experts, bore well drillers)
h. If appropriate, partner WS NGOs and other WS technical service providers, their prospective roles, and the rationale for such partnerships (e.g. NGOs to provide community hygiene education or train FI staff in WS)
i. If possible, estimate the potential size of the market (number of people who could be reached with WaterCredit) by product and region/geography
j. Assess key risks and challenges, including partner challenges/hesitations, macro-economic or other challenges that could materially affect WC expansion

III. SCOPE OF WORK

Consultant shall undertake interviews, focus group surveys, desk-based and online research as part of the WMA. Interviews shall include FIs, WS service providers, WS NGOs, financial and WS regulators and investors, and other relevant stakeholders in the microfinance and WS communities (e.g., microfinance networks and apex organizations), as appropriate. Water.org staff will visit Brazil during some part of the engagement to observe and participate in market assessment activities alongside the Consultant.

Based on the provisions and details of these TOR, WO will contract with the Consultant to perform the following services:

(1) Review of all primary and secondary sources relevant for WaterCredit success and scaling
   a. Existing literature addressing microfinance + WS linkages in Brazil including national, regional and/or global reports, WC background documents, reports and related materials
   b. Additional documents related to microfinance + WS including government agency publications, proposals, grant/loan agreements, field reports, monitoring reports, program and financial data
   c. Desk-based and online research

(2) Meet with at least 40 relevant stakeholders and potential WaterCredit partner organizations, including at least 20 FIs, to inquire about the questions and issues raised under these TOR.
   a. Assemble a table listing all meetings, dates, parties involved and contact information
   b. Summarize all information obtained during each relevant meeting
   c. For those FIs that express interest in pursuing WaterCredit, communicate that pending positive market assessment results Water.org will contact them regarding potential collaboration

(3) Conduct 25 or more focus groups in at least 5 different regions. Consultants should recommend regions based on high prevalence of strong microfinance providers and high expected demand for

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3 Water.org will provide some relevant materials
4 Consultant is expected to have a strong knowledge of online resources and to use them comprehensively.
5 Some interview templates / checklists will be provided to the Consultant by WO
water and sanitation financing. In each region, at least 4 focus groups should be conducted in a combination of urban/peri-urban and rural communities. The regions and focus group discussion (FGD) plan (locations and dates) shall be approved by Water.org prior to the focus groups. 
   a. Provide focus group statistics and data
(4) On the basis of meetings, interviews, surveys, site visits and document review as outlined above, Consultant shall analyze the findings with an eye towards the objectives of these TOR.
(5) Produce a final assessment report containing the information outlined in Annex 1
(6) Make a verbal presentation to WO staff (by phone or in person) after submission of the final assessment report
(7) Assist Water.org with making in-country introductions and arranging meetings with identified FIs, WS operators and organizations, government entities and other identified stakeholders as appropriate
(8) Undertake local language translation for WO, as required to fulfill these TOR

IV. DELIVERABLES (all in English)

(1) Report/Assessment in Microsoft Word – Includes content specified in Section II and Annex I with complete references
(2) Table of all Meetings – Includes time and place of meeting, individual, organization, title, email address, phone, physical address
(3) Tools Used to Collect Information
   a. Interview Question Templates for WS Providers, WS Product Manufacturers, FIs and WS NGOs
   b. Focus Group Questionnaire
(4) Primary Data
   a. Profile of Focus Group Respondents – Location, household income levels, age, sex, home construction materials, community health challenges
   b. Focus Group Results

V. TIMELINE

Expected Timeline
The approximate expected time requirements and allocation for the WMA activities are as follows:

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Research &amp; Organization of Meetings/Focus Groups</td>
<td>2 weeks</td>
</tr>
<tr>
<td>Stakeholder Meetings, Interviews &amp; Focus Groups; WMA Drafting</td>
<td>10 weeks</td>
</tr>
<tr>
<td>Water.org Review &amp; Resubmission Requests</td>
<td>2 weeks</td>
</tr>
<tr>
<td>WMA revisions; Additional Water.org Review &amp; Resubmission Requests as Necessary</td>
<td>3 weeks</td>
</tr>
</tbody>
</table>

6 Consultants should leverage travel to regions for focus groups to conduct interviews with local stakeholders, particularly FIs that could be potential WaterCredit partners
7 Water.org will provide sample focus group questionnaires to the Consultant
8 Water.org staff are available on request to discuss specific questions and research/survey-based findings that arise in order to further refine the depth and accuracy of assessment.
Key Dates

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant’s Proposal Due to Water.org</td>
<td>March 3, 2014</td>
</tr>
<tr>
<td>Finalization of Agreement with Selected Consultant</td>
<td>March 25, 2014</td>
</tr>
<tr>
<td>Engagement Begins</td>
<td>April 7, 2014</td>
</tr>
<tr>
<td>Draft Stakeholder Interview Schedule and Focus Group Schedule Due to Water.org</td>
<td>April 21, 2014</td>
</tr>
<tr>
<td>First Draft WMA Due to Water.org</td>
<td>July 1, 2014</td>
</tr>
<tr>
<td>Comments from Water.org Staff</td>
<td>July 21, 2014</td>
</tr>
<tr>
<td>Second Draft Due to Water.org</td>
<td>August 10, 2014</td>
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<tr>
<td>Final Comments from Water.org Staff</td>
<td>September 8, 2014</td>
</tr>
<tr>
<td>All Final Deliverables Due to water.org</td>
<td>September 22, 2014</td>
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</table>

VI. BUDGET

The complete WMA process is expected to take approximately 16 weeks, between March 25, 2014 and September 8, 2014. The target budget range to complete these TOR in their entirety is US$ 50,000 – 55,000.

A proposed budget shall be included with Consultant’s submission, and the final budget approved shall be fixed and not subject to re-negotiation. A sample budget template is provided below. The Consultant shall provide budget information either in this format, or in a manner that includes similar details. All amounts shall be presented in US$. Budget notes are encouraged.

Budget Template

<table>
<thead>
<tr>
<th>Item #</th>
<th>Cost Category</th>
<th>Unit Cost</th>
<th>Unit Quantity (e.g. Person-days, taxi fares, per diems)</th>
<th>Cost</th>
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</thead>
<tbody>
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<td>Personnel</td>
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<td>Total Personnel Expense</td>
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<td>Ground Transportation</td>
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<td></td>
<td>Accommodations &amp; Per Diem</td>
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<td></td>
<td>Total Travel Expense</td>
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<td></td>
<td>Supplies / Other</td>
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<td>11</td>
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VII. MINIMUM APPLICANT QUALIFICATIONS / SKILLS

Applicants may be individuals, groups of individuals with a designated team lead, or firms. Applicants must have at a minimum the following qualifications:

1. Proposed staffing plan includes at least one native or fluent Portuguese speaker as lead researcher and at least one fluent English speaker as lead writer
2. Demonstrated experience and familiarity with the water and sanitation and microfinance sectors in Brazil
3. Ability to identify and secure meetings with key stakeholders in water and sanitation and microfinance sectors in Brazil

VIII. PROPOSAL SUBMISSION / CONTACT

Proposals must include at a minimum the following sections:

1. Summary discussion of microfinance and water and sanitation markets
2. Discussion of tasks to be undertaken by consultant and proposed methodology for collecting market information
3. Recommended regions for focus groups
4. Sample parties proposed for stakeholder interviews, including list of 10 high potential FIs
5. Project staffing plan and staff bios
6. Proposed key dates and timeline
7. Firm/consultant(s) qualifications and relevant work experience
8. English writing sample
9. Budget presented in manner equivalent to template provided above, with explanatory notes where necessary

Proposals must be signed by an official who is authorized to bind the organization. Proposals from consortia or partnerships are welcome. Teaming arrangements are encouraged in order to provide expertise in both microfinance and WS.

Proposals should be submitted to info@watercredit.org no later than March 1, 2014 noting “WMA Consultant Proposal – Brazil” in the subject line.

The contact persons for this WMA are:
Elizabeth Toder, Senior Manager, WaterCredit Advisory Services, etoder@water.org
April Davies, Senior Manager, Africa/Latin America, adavies@water.org
ANNEX 1. WMA REPORT OUTLINE

*The approximate number of pages expected for each section is provided below:

Table of Contents

Index of Graphs

Index of Tables

Index of Images/Figures

List of Acronyms

Executive Summary (5 pages)

- Summary of key characteristics of WS and microfinance markets, assessment conclusions and recommendations. Samples available at http://watercredit.org/library/

About the Market Assessment (1 page)

- Background
- Methodology

Water & Sanitation Sector (6-8 pages)

- Joint Monitoring Program (JMP) WS Access Rate Data

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<tr>
<th>Brazil</th>
<th>Sanitation Coverage Estimates</th>
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<td>Shared facilities</td>
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<td>Other unimproved</td>
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<td>Open defecation</td>
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<tr>
<th>Brazil</th>
<th>Drinking Water Coverage Estimates</th>
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<td>Other improved source</td>
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<td>Other unimproved</td>
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<td>Surface water</td>
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</table>
• Brief review of JMP data summarizing major access challenges and trends
• Brazil has relatively high access to piped water to households (91.7% nationally). Sanitation coverage is a bit lower at 81%. Where are the areas located that do not have access and what are the defining characteristics of these locations? Do these areas without WS overlap with the areas of operation of the FIs?
• Additional data highlighting access in specific geographies or access to specific technologies
• Breakdown of primary types of WS solutions in use and why
• Brief overview of any relevant aspects of legal and regulatory framework for WS sector
• WS Service Providers
  o Description of primary types of water and sanitation service providers, e.g. public water utilities, private water operators, community water boards, self-provision, etc. (defining characteristics, nature of financing, governance and management, geographic coverage)
  o Description of primary types of WS product manufacturers and suppliers, e.g. toilets, wells, etc.
• WS Programs delivered by government agencies, NGOs and development agencies
  o Description of activities, geographic area, size, local partner organizations, potential impact on WaterCredit key actors and partners, scope, funding, duration, geographic area
• Summary of key Market Gaps / Principal Unmet WS Demands by geography

Microfinance Market & Landscape (6-8 pages)

• Overview of size and performance of microfinance sector including size, growth, investment trends and portfolio quality – with particular emphasis on characteristics that may affect the potential development, scale and sustainability of WaterCredit
• Brief overview of any relevant aspects of legal and regulatory framework for microfinance sector including types of legal entities and permitted activities, including ability to accept loans and grants from abroad
• Types of products offered – credit and savings
• Existing WS microfinance initiatives
• Role of government in microfinance sector as owner, investor and/or provider of subsidies to FIs, and any other related activities
• Presence of national microfinance associations, apex organizations and/or other sector initiatives (e.g. conferences) that could facilitate WaterCredit expansion and dissemination
• Presence and role of domestic and international (public-sector/multilateral and private-sector) funders in the microfinance sector
• Strengths and weaknesses of sector

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9 Data often available from governments or private entities at national, regional, local and/or service provider level
10 If there are many small providers they may be lumped together in logical groups, e.g. by region or business model
Sector Stakeholder Analyses (12-15 Pages)

- Detailed information about specific entities working in the microfinance and WS sectors. Entities most relevant to WaterCredit should be identified and analyzed according to the following minimum requirements. Entity analyses should include all information relevant to potential partnership, coordination or impact on WaterCredit activities including entity type, mission, location and clientele, services provided, coverage rates, expansion trends, priced charged to customers, customer financing available, governance and management, strengths and weaknesses, interest in WaterCredit and potential role/impact on WaterCredit program.
  
  - Major water and sanitation service providers (operated by the government, public and/or private sector) and relevant information for each major provider (minimum 5 – state-run water and sewerage companies selected can be in the same regions as the FGDs). Include discussion of: The National Department of Environmental Sanitation under the Ministry of Cities, the National Sanitation Plan (Plansab), the Brazilian National Water Agency and the National Association of Water and Sanitation Service Providers.
    - Description of service provided
    - Current available WS service coverage (geographic areas covered, percentages of serviced populations, performance trends) and expansion trends
    - Current status of operation and maintenance (funding, service breakdown rates)
    - Service characteristics (water quality, hours of operation, metering coverage)
    - Financial profile (connection fees, average tariffs, sources of financing and liquidity)
    - Existing customer financing options (terms, scope/reach, constraints)
    - Strengths and challenges
  
  - Major WS product manufacturers and/or distributors, e.g. toilet manufacturers, tube-well / borehole, pipe suppliers (minimum 3)
    - Description of product or service provided
    - Current service coverage and expansion trends (geographic areas, number of customers, gross sales estimates by product, growth trends)
    - Existing customer financing options (terms, scope/reach, constraints)
  
  - NGOs or development organizations active in WS which may complement or otherwise impact the development and scale of WaterCredit in the country (minimum 5). DAI/USAID Water Revolving Fund Support Program should be included if applicable
    - Activities, geographic area, size, funding, duration, scope, local partner organizations, successes and challenges
  
  - Government Entities / Agencies /Programs active in WS which may complement or otherwise impact the development and scale of WaterCredit in the country (minimum 3)

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11 Number of entities can vary from minimums provided pending conversation with Water.org
12 If there are many small providers they may be lumped together in logical groups, e.g. by region or business model
13 E.g. health/hygiene education and behavior change programs, poverty alleviation programs, government microfinance programs
Activities, geographic area, size, funding, duration, scope, local partner organizations, successes and challenges

- Financial inclusion programs and microfinance sector support organizations/programs. MCPI and the People’s Credit and Finance Corporation should be included
  - Activities, geographic area, size, funding, duration, scope, local partner organizations, successes and challenges

- Other actors/programs (of any type – microfinance funder, government, NGO, etc.) which have piloted models similar to WaterCredit in the country or may impact WaterCredit
  - Activities, geographic area, size, funding, duration, scope, local partner organizations, successes and challenges

- Financial Institutions Providing Microfinance Services (minimum 20; each with at least 40,000 active microfinance borrowers). The FIs chosen for analysis shall be proposed by the Consultant and approved by Water.org beforehand. To the extent possible, provide the following information for each FI:
  - Geographic scope and primarily clientele (urban/peri-urban/rural clientele, approximate income level, male vs. female), credit methodology, portfolio quality and portfolio growth trends
  - Basic FI stats

<table>
<thead>
<tr>
<th>FI Name</th>
<th>Legal Status</th>
<th>GLP (USD)</th>
<th># Active Borrowers</th>
<th>Average Loan (USD)</th>
<th># Depositors</th>
<th>Offices</th>
<th>Loan Officers</th>
<th>Female Borrower %</th>
<th>PAR &gt; 30 Days</th>
<th>Deposits</th>
<th>OSS</th>
</tr>
</thead>
</table>

- For each FI summarize the product offering highlighting any experience in WS lending, home improvement lending, or other non-business lending (partners, products, duration of product, # loans, portfolio volume, staffing, challenges)
- Affiliations with partner/parent NGOs and/or international networks and how affiliations could help with mission alignment and WS product development
- Experience with borrower education that could be leveraged for WS training purposes
- Reaction to WaterCredit concept, interest in participating, level of anticipated support and prioritization of WaterCredit by senior Management and other key stakeholders including specific reactions to the concept, concerns, estimated volume
- Existence of in-house WS expertise
- Existing or potential linkages with water utilities, WS product manufacturers, WS NGOs and other WS sector stakeholders
- Potential opportunities for WS enterprise creation/expansion within the FI’s geographic operating area, e.g. toilet construction, water delivery or composting services
- FI ability and willingness to attract external capital and/or mobilize internal capital specifically for WS lending activities and WaterCredit portfolio growth

14 The use of tables to present information for numerous FIs is encouraged
WaterCredit Demand (5 pages)

- Assessment of demand for WaterCredit as determined through at least 25 focus groups conducted in at least 5 different regions selected by the Consultant according to WaterCredit potential, and approved by Water.org. In each region, at least 4 focus groups should be conducted in a combination of urban/peri-urban and rural communities. The Focus Group plan (locations and dates) shall be approved by WO prior to the focus groups. The Focus Groups should discuss the following topics:
  - WS solutions currently in use by focus group households and communities
  - Estimates of what people pay for water and other WS products and services
    - Regional cost estimates for different types of WS access, facilities and improvements (e.g. networked connections, stand-alone improvements, household purifiers, etc.) in urban, peri-urban, and rural areas
    - Availability, rates, terms and scope of use of financing for private WS access (networked and non-networked)
  - Level of familiarity with microfinance, ease of access to microfinance, experience with microfinance including FI/bank name, loan product(s) accessed and loan terms, WS loan products that are currently preferred and/or most commonly used by FI clients
  - Willingness and ability to pay for financial services and WS products and services
  - Prioritization of household improvements if financing available (improvements such as e.g. roofing, flooring, electrification, water, sewerage)

Recommendations (5-7 pages)

- Based on the information collected, recommendation for or against launch of WaterCredit in Brazil, including key reasons, criteria, assumptions and contingencies supporting this conclusion (“go/no go” decision).
- If the decision is “go”, map unmet WS demands with viable FI partners to develop and recommend at least 4 specific Water.org strategies. Each strategy will include the following details:
  - Region, geography
  - Urban/rural
  - WS products and services most likely in demand
  - Appropriate WS financial products including structure, amount, terms, collateralization (if any), etc.
  - The FI or FIs which are believed to be the best potential WaterCredit partner candidates for the particular strategy and explain their qualifications

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15 Consultant should thoroughly document standard of living of focus group participants with characteristics such as household income levels, age, sex, home construction Materials, community health challenges
16 WO will provide sample focus group questionnaires to the Consultant
17 Illustrative list of WS products and services which should be considered: household hookups and related infrastructure, toilets, latrines, sinks, showers, water harvesting tanks, water pumps, household water purification assets, corrective Maintenance of WS assets, rehabilitation of water supply, wastewater Management, sanitation related small businesses
18 Consider both credit and savings products; also recommended product terms should be both profitable for the FI and affordable for the customer
Coordinating WS service providers and/or product manufacturers/distributors, their roles and the rationale for each partnership

If appropriate, coordinating WS NGOs and other WS technical service providers, their prospective roles, and the rationale for such partnerships

Potential impact of any government or development agency WS programs, e.g. subsidies, marketing, etc.

Potential size of the market (number of people who could be reached with WaterCredit)

Key risks and challenges, including partner challenges/hesitations, macro-economic or other challenges that could materially affect WC expansion

• If the decision is “no go”:
  o Describe the key reasons for this decision
  o Provide the key conditions, milestones, probability and estimated timing for reconsideration of Brazil for WaterCredit expansion in the future

References

Attachments

• Summary of WMA meetings