

Terms of Reference

Assignment: Alternative Channels for WASH Financing Assessment

Location: Kenya

Duration: 13 weeks

Reports to: East Africa Regional Director

Background

Water.org is a U.S.-based, non-governmental organization working to increase access to water, sanitation and hygiene (WASH). Since 1990, Water.org has been implementing WASH programs in conjunction with local non-governmental organizations (NGOs) and financial institutions (FIs). This model is called WaterCredit. Water.org has significantly expanded its WaterCredit initiative over the last several years, which works by building the capacity of carefully-selected local FIs to offer affordable financing for water and sanitation facilities. Partner FIs develop and launch loan products to finance household level facilities such as toilets and water tanks, or community level facilities such as piped water networks. WaterCredit programs support FIs through a combination of financial assistance and technical support, or solely technical support.

Since 2003, Water.org has implemented WaterCredit programs with 45 FI partners, facilitating more than 530,000 WASH loans and \$105 million in capital disbursed. Water.org has offices in five countries and works in Latin America, Africa, South Asia and Southeast Asia.

Water.org is in process of exploring ways to scale-up WaterCredit programs to reach more people, as well as exploring ways to reach people beyond the current WaterCredit model of working directly with FIs. Water.org refers to these potential solutions as Alternative Channels for WASH Financing.

Assignment Summary

Since 2007 Water.org has implemented WaterCredit models in Kenya. The first models featured NGOs lending to groups for community water systems. In 2011, Water.org began working with four FIs to lend for water and sanitation to group and individual clients. During this period almost 20,000 loans have been disbursed totaling \$10.2 million, and providing access to water and sanitation to more than 140,000 people.

Despite the success of WaterCredit in Kenya, Water.org would like to reach more people with access to improved water and sanitation through new models. According to the Joint Monitoring Programme, in 2012, 38% of Kenyans still rely on unimproved water sources, such as ponds, shallow wells or rivers, and 70% of Kenyans use unimproved sanitation solutions, including 13% of people who practice open defecation. These percentages translate into more than 16 million people using unimproved water sources and 30 million people using unimproved sanitation.

Water.org would like to explore new channels of connecting people at the base of the economic pyramid to financing to gain access to water and sanitation. These new models are referred to as Alternative Channels for WASH Financing, as they reach beyond partnering with FIs to provide loans for WASH access. In Kenya, Water.org has selected five alternative financing channels to focus on:

- Offer mobile-based loan and savings products customized for WASH products via mobile-based services currently available in the market such as M-Pesa, M-Shwari or Orange Money, amongst others
- Work with Water Service Providers (WSPs) to provide financing directly to end users for connections or infrastructure extension
- Provide technical assistance to county governments to increase their financial management capacity (in planning for WASH, and to accept debt financing or effectively budget for water and sanitation needs)
- Work with FIs to avail capital to small and medium enterprises (SMEs) working in water and sanitation provision
- Partner with product manufacturers to offer financing directly to customers for WASH products

This consultancy assignment may be bid on by either consultancy firms or individuals. For purposes of this TOR, the consultant entity will be referred to as “The Consultant”. Individual consultants are encouraged to form teams that comprise people with experience in the five channels.

The Consultant activities will include a combination of: market research within the above-listed stakeholders to determine the impact and value proposition for introducing alternative WASH financing and potentially designing pilot models and products. The Consultant activities will also include interviewing other stakeholders as needed, such as FIs, product manufacturers, WSPs, telecommunications companies, county government officials, national government officials, small and medium WASH enterprises, WASH NGOs, end users, clients, and people without access to improved water and sanitation.

The Consultant will report to the East Africa Regional Director for coordination and approval of work outputs. The Consultant may also work closely with other members of the Water.org East Africa team or International Programs team based in the United States. Travel to and within Kenya will be required to accomplish the responsibilities of this assignment.

Core Deliverables

The Consultant is expected to communicate regularly with the team and document progress toward assignment objectives.

Phase I – Conducting Sector Mapping

- Develop a comprehensive work plan, potential stakeholder contact list to guide investigation, and key milestones for progress updates and coordination meetings.
- Conduct desk review of stakeholders and channels in the five WASH financing areas listed.
- Meet with key staff and other stakeholders to gain insight to current alternative models in the five areas listed above and stakeholder priorities.
- Introduce Water.org (as applicable) to FIs, mobile network providers, product manufacturers, WSPs, water and sanitation suppliers such as water districts and county government units and other stakeholders.
- Provide secondary data and analysis on the potential impact of working through these stakeholders to provide access to WASH financing in terms of investment.
- Gauge interest and demand in the five areas for all stakeholders by conducting primary research with an emphasis on service providers and clients/end users.

Phase II – Designing Pilot Programs/Models for Water.org Implementation

- Carry-out a risk/rewards exercise for each of the alternative WASH financing channels
- Design sample pilot programs/models for all five alternative WASH financing channels based on findings from Phase I that is compliant with Water.org’s mission and objectives with close collaboration with Water.org staff. Include the range of investment required for each of the channels and specific information about the range of investment needed for the end user (i.e. cost of water connection for WSP user, price of product for customer of product manufacturer).
- Evaluate feasibility of and develop recommendations for pilot programs/models for alternative WASH financing channels. Categorize the opportunities for the channels into the following categories:
 - a. Near-term
 - b. Medium-term
 - c. Long-term
 - d. Not feasible
- Liaise with FIs, mobile network providers, product manufacturers, WSPs, county government officials, national government officials, small and medium WASH enterprises, and WASH NGOs, to determine their suitability for partnership with Water.org.

Phase III Final Report

- Submit final report stating potential impact, feasibility and model approach for each of the five proposed WASH financing channels. Please see relevant questions to address in the topic areas below.
- Table of all Meetings – Includes time and place of meeting, individual, organization, title, email address, phone, physical address
- Tools Used to Collect Information
 - a. Interview Question Templates for stakeholders
 - b. Tools used to assess demand
- Primary Data
 - a. Meeting notes, interview results
 - b. Any focus group discussion information if used to assess demand
- Sources for secondary data analyzed

Research framework/Scope of investigation

Digital Finance + WASH/Mobile based financial products for WASH

- The digital space has been used in many fields (i.e. agriculture, loans, savings products). Are there possibilities of including similar financing products for WASH??Who are the actors in the mobile network market, what is their percentage market share and whom do they serve? What are the products that could add/combine WASH component?
- What is the potential model to use M-Pesa to scale up impact of current WaterCredit model? What are the models that M-Pesa technology can support beyond WaterCredit, to promote financing for water and sanitation?
- What is the financial portfolio for M-Shwari, and other mobile based financial products? (For example- portfolio size for loans and saving)

- Are FIs interested in adding WASH loan and savings products to M-Shwari or similar services? How could this work and what are the expected gains for the FIs and telecommunications providers?
- Which mobile platforms represent the greatest opportunity for this channel?
- How are mobile platforms used for remittances? Is there opportunity to combine WASH into m-based remittance? (For example, urban-based Kenyan sending money to village for family to purchase a water connection or household latrine; or this could be a product marketed to the diaspora to remit money for their family in Kenya)
- Is there interest from the telecommunications companies in offering WASH savings or loan products? Demand from customers for the products?
- Is there a way to combine m-banking platform with other alternative channels?
- What is the impact this channel could have in terms of number of people reached with access to water and sanitation?

Water Service Providers

- Are there barriers or challenges for end users (households) to connect to water and sewerage utility networks?
- Which of the WSPs have pro-poor policies in place? How effective are these policies and who do they target?
- List of WSPs in Kenya and their ranking based on scale and stability.
- What are the main funding sources for the WSPs? What are the financial profiles?
- How viable is it to have WSPs connect people to the grid and enter into an arrangement to pay the required statutory fees later?
- How willing are WSPs to being linked to FIs to assist in water and sewerage connections?
- Which WSPs represent the greatest opportunity for this channel and why?
- Are there FIs already working in this space (working with WSPs to provide financing to end user)? Which FIs represent the greatest opportunity for this channel?
- Is there interest/demand from WSPs, FIs and end users?
- What financing models are possible with this type of program?
- What is the impact this channel could have in terms of number of people reached with access to water and sanitation?

County Government Financing

- Are there currently any institutions or organizations working with county governments to build capacity specifically in WASH? In the area of WASH financing? If so, what are the current programs and roles/responsibilities of the stakeholders?
- Are there currently any institutions assisting the counties with devolution structures? If so, what are these institutions and what technical assistance is being provided?
- Do gaps exist for county governments specifically in WASH financing/planning for WASH expenditures?
- Which counties represent the greatest opportunity for this capacity building regarding WASH financing and why?
- Are there county governments that already have expertise in planning for WASH infrastructure financing? Which counties?

- Is there interest/demand at the county level for this type of technical assistance?
- Are there stakeholders that could provide mentorship to the counties to facilitate the training in Kenya?
- What is the impact this channel could have in terms of number of people reached with access to water and sanitation?
- How can Water.org plug into what is currently being done regarding county capacity development?

Financing to WASH SMEs

- According to FIs, what type of business or entity constitutes a SME? What the definition of a SME?
- What opportunities exist in financing SMEs in the WASH sector?
- What types of services are SMEs currently providing in the WASH space in Kenya?
- What programs, FIs, NGOs are currently active in this space? What models are being used?
- What is the scope of SME WASH financing that is currently occurring with WC partners?
- What types of SMEs will have the largest impact in WASH access (in terms of size, types of products, geographic location)?
- Is there demand for financing for SMEs? Which FIs currently provides finance to WASH-related SMEs and what is the scale?
- Are FIs interested in reaching out to WASH SMEs or providing a special financing product?
- What impact could Water.org have with this channel in terms of number of people reached with access to water and sanitation through the SMEs?

Formalized WASH product manufacturers

- Which product manufacturers can Water.org seek to work with in this space?
- Are any WASH product manufacturers providing financing/credit facilities to customers to access their products? If so, how is this structured?
- Is there interest and demand for WASH product manufacturers to offer financing/credit facilities to customers?
- To what degree do manufacturers and retailers face issues involving a mismatch between supply and demand for WASH products (i.e. too much or not enough product on-hand to meet demand)? How effectively do these institutions handle these issues?
- Determine what needs to be in place for manufacturers to offer financing.
- Calculate impact based on projections from manufacturers.
- Determine how and if Community Led Total Sanitation can fit in with this channel.
- Measure demand for financing from customers
- What potential risks should Water.org be aware of in considering partnerships with these institutions?

Timing/Assignment Duration

The consultancy assignment is expected to start on April 15, 2015 and end on July 15, 2015 for a total of 13 weeks.

Reference and Documentation

Upon execution of the consultant agreement, the consultant shall receive background and reference documents to guide the scope and process of the assignment. The consultant shall provide progress report/updates via email to the East Africa Regional Director, per the workplan and upon request.

It is expected that the consultant will provide his/her own equipment, such as laptop computer and mobile phone. SIM cards and minutes as well as internet charges can be submitted for reimbursement along with the appropriate receipts and/or proof of purchase.

Budget

The complete consultancy process is expected to take approximately 13 weeks, between April 15, 2014 and July 15, 2015. The maximum budget to complete these TOR in their entirety is USD 50,000.

A proposed budget shall be included with Consultant’s submission, and the final budget approved shall be fixed and not subject to 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 USD. Budget notes are encouraged.

Budget Template

Item #	Cost Category	Unit Cost	Unit Quantity (e.g. Person-days, taxi fares, per diems)	Cost
Personnel				
1				
2				
3				
			Total Personnel Expense	
Air Transportation				
5				
6				
Ground Transportation				
7				
8				
Accommodations & Per Diem				
9				
10				
			Total Travel Expense	
Supplies / Other				
11				
12				
			Total Supplies/Other Expense	
				TOTAL

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 English speaker as lead writer
2. Demonstrated experience and familiarity with the following sectors in Kenya: telecommunications, WASH manufacturers, WSPs, commercial banks, SMEs, county governments and microfinance. Additional knowledge of government structure and the relationship between county and national government is a plus.
3. Ability to identify and secure meetings with key stakeholders in the different WASH financing channel areas.
4. Experience with analyzing secondary data and conducting interviews
5. Report writing skills

Proposal Submission / Contact

Proposals must include at a minimum the following sections:

1. Summary discussion of microfinance and WS markets
2. Discussion of tasks to be undertaken by consultant and proposed methodology for collecting information on five areas
3. Sample parties proposed for stakeholder interviews
4. Project staffing plan and staff bios
5. Proposed key dates and timeline
6. Qualifications and relevant work experience
7. English report writing sample
8. 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 all five subject areas.

Proposals should be submitted to palubbe@water.org **no later than March 31** noting “WASH Financing Consultancy” in the subject line. Proposals submitted after **March 31, 2015** will not be considered.

The contact person for this assessment is:

Patrick Alubbe, East Africa Regional Director, Water.org, palubbe@water.org