

Terms of Reference (TOR): Short-term consultancy to assess the demand for Water Supply & Sanitation MSME financing opportunities for financial institutions in Vietnam

Submission deadline: September 6, 2024

INTRODUCTION & BACKGROUND

Water.org is a global non-profit organization dedicated to providing water and sanitation solutions worldwide. With decades of experience, Water.org has been instrumental in supporting financial institutions (FIs) in emerging markets to develop water and sanitation loan products and portfolios. Traditionally, Water.org has partnered with microfinance institutions and banks to extend retail lending for financing household water and sanitation facilities.

Globally, about 750 million people – one in nine – lack access to safe water, while another 2.5 billion people – almost one in three – lack access to a toilet. Water.org, through its partners, has positively impacted over 61 million people in 17 countries with water and sanitation solutions.

WATER SUPPLY & SANITATION (WSS) MSME FINANCING

Water.org is partnering with financial institutions to finance WSS MSMEs across existing markets while expanding into new markets (Asia, Africa and Latin America).

As an initial step, Water.org seeks to contract a third-party organization (**a consulting/research agency or firm, “Consultant”**) to conduct a market assessment on the demand and supply for water and sanitation MSME loan products and services in the Vietnam financial sector, specifically focusing on financial institutions willing to lend to this segment. This will provide insights into the unserved market for water and sanitation, encouraging the adoption of financial products that facilitate improvements in these areas and highlight investment opportunities for financial institutions.

The Consultant will be responsible for conducting research, collecting and analysing primary and secondary data, and preparing an assessment along with the related documentation as outlined herein. This document outlines the Terms of Reference (TOR) that Water.org anticipates for this market assessment.

OBJECTIVES

Water.org seeks to engage a consultant with expertise in complex market assessments, particularly in the financial and Water Supply and Sanitation (WSS) markets in Vietnam. The consultant should be capable of analyzing these markets within prescribed timelines. The market assessment will focus on analyzing enterprises in the water and sanitation in Vietnam to:

- I. Assess the water and sanitation markets with a focus on WSS MSME entrepreneurs (Manufacturers, Traders, contractors of products and services).
- II. Examine the existing WSS MSME products and evaluate the potential demand for new WSS products in the Vietnamese Market.
- III. Identify Micro, small, and medium enterprises (MSMEs) within the WSS value chain.
- IV. Assess the financial needs of WSS MSMEs, service providers and small utilities.
- V. Evaluate the interest of financial institutions in lending to WSS MSMEs.

- VI. Assess the demand for commercial and/or blended financing of water and sanitation infrastructure projects implemented by both private and public water utilities to improve water supply and sanitation services in low-income areas.

SCOPE OF WORK

Under Water.org's supervision, the Consultant will be responsible for conducting interviews with WSS entrepreneurs and financial institutions, leading focus group discussions with community leaders, and analyzing secondary data as part of the assessment. The following aspects should be evaluated and reported in the assessment:

1. Financial sector landscape

- Provide an overview of the financial sector and MSME lending market. This should include:
 - a. Financial institutions (Commercial Banks, Non-banking financial institutions, etc.)
 - b. An overview of the financial sector in Vietnam (including primary sources of capital, cost of capital, typical loan terms, etc.); identify areas with capital constraints that may present investment opportunity for organizations looking to finance WSS enterprises and identify available and potential technical support.
 - c. An overview of regulatory policies affecting financial institutions involved in MSME lending.
- Provide an assessment of the digital banking and fintech sector to evaluate the potential for offering fintech-based WSS loans and financing to entrepreneurs.

2. Assess the status of access to WSS services by enterprises (products and services assessment)

- Provide an overview of the water and sanitation market including access needs and rates, customers' costs and financing options, and types of service providers.
- Analyze micro, small, and medium enterprises (MSMEs) in the WSS value chain to understand their roles and challenges.
- Identify NGOs, development agencies and government agencies involved in WASH provision and technical assistance services, including their contributions and impact.

3. Assessment of potential market demand for WSS financial services

- Report the willingness of WASH enterprises to utilize commercial loans for improving access to, quality of, and reducing scarcity of water and sanitation services.
- Report the demand for water and sanitation loans as determined through surveys of WSS enterprises surveys in a mix of urban and rural areas.
- Report the willingness of financial institutions to lend to WASH enterprises as determined by surveys conducted in 10- 15 financial institutions

4. Brief overview of the legal and regulatory framework for the financial sector and WSS sector

- Describe the impact of the legal and regulatory framework on creating or impeding an enabling environment for WSS lending. Outline any laws or policies regulating MSMEs loans, if applicable.

DELIVERABLES

All documents should be submitted in English and include, but are not limited to, the following:

1. Research Kick-off Report indicating the detailed research methodology and execution plan.
2. Access to raw data and models used in the market research assessment. This should include:
 - A folder with digital copies of literature and references reviewed.
 - Primary data including:
 - a. Profiles of WSS entrepreneurs' respondents, including location, turnover levels, assets size, annual revenues, number of employees.
 - b. Different types of sample enterprises
 - c. Documentation of interviews with financial institutions
3. Analysis and recommendations including, but not limited to, the following:
 - Perform a detailed SWOT analysis of financial institutions and sample WSS enterprises; identify market gaps in financing and areas for improvement.
 - Provide a detailed quantitative and qualitative assessment of the potential market for enterprise financing based on WSS MSME's responses
 - Identify existing policy and regulatory windows that are not yet explored or could be leveraged.
 - Explore partnership opportunities with financial institutions in Vietnam and detail modalities for these partnerships.
 - Identify partnerships in the WASH and related sectors that could support WSS financing, e.g., technical assistance agencies, guarantees, and other related entities.
4. Final report to be provided in Microsoft Word and PowerPoint formats, including, but not limited to:
 - Executive Summary
 - Methodology: data collection and analysis methods
 - Detailed Content: information specified under the scope of work, complete with references
 - Summary of Findings
 - Annexes with tables of all meetings, including time and place, individual names, organizations, titles, email addresses, phone numbers, and physical addresses
 - Data Collection Tools used to collect information including:
 - a. Individual Interview Question Templates for FIs and households
 - b. Focus Group Questionnaire for community leaders

5. Three-page summary of the report which will be a concise summary of the report for external circulation.

TIMELINE

The approximate time requirements for the activities are as follows:

Inception Phase – Inception meeting, secondary research, development of data collection tools, Inception report	4 weeks
Data Collection Phase –Data collection/field visits, Stakeholder Meetings, Interviews, Report Drafting	4 weeks
Report writing- Data collation, Report Revisions, Additional Water.org Review and Resubmission Requests as necessary.	4 weeks
Water.org Review and Resubmission Requests	2 weeks

The complete assessment process is expected to take approximately 14 weeks (3 to 4 months).

BUDGET

A proposed budget must be included with the Consultant’s submission. The final approved budget will be fixed and not subject to negotiation. All amounts should be presented in USD. Budget notes are encouraged.

PROPOSAL SUBMISSION GUIDELINES

Interested Consultants are requested to submit their written proposals and budget no later than **September 6, 2024**.

All proposals should be submitted in English and include the following information:

- Consultant/Firm’s experience
- Proposed approach to the project
- Proposed activities to be completed
- Proposed project timeline and budget
- List of previous projects completed similar to this proposal
- List of references

Consultants should be fluent in English. Proposals will be reviewed on a rolling basis and evaluated based on value for money using the information provided. Water.org may contact applicants during the evaluation process to discuss proposals further.

Proposals should be submitted to pmutiga@water.org, copied to aofreneo@water.org