



## REQUEST FOR EXPRESSION OF INTEREST

### The Philippines and Indonesia Water Supply and Sanitation Sector Assess Viability of Financing Small-Medium Sized Water Companies through Financial Intermediaries

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#### A. BACKGROUND

##### The International Finance Corporation

The International Finance Corporation (IFC), a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing private capital in local and international financial markets, and providing advisory and risk mitigation services to businesses and governments. Working with over 2,000 businesses worldwide, we use our six decades of experience to create opportunities where they are needed most. One of IFC's priority areas of work is improving the sustainability and enhancing the competitiveness of cities by enabling climate-smart infrastructure. For more information, visit [www.ifc.org](http://www.ifc.org).

##### The Philippines

There is a significant and widening gap between the available water supply and demand. As of 2015, only 87.7% of the population had access to safe water and 73.8% to basic sanitation. The Philippines Water Supply and Sanitation Master Plan (“**Master Plan**”) published in September 2021 has an ambitious target of achieving universal access to Water Supply and Sanitation (“**WSS**”) services by 2030 and recognizes the significant challenges associated with this goal. The total investment required to achieve the target is estimated at PHP 1.07 trillion (~US\$20.8 billion) over 11 years (2020-2030), 49% of which is expected to come from private sector funds, including commercial loans and public private partnerships. Today, the private sector funding contribution to the total financing to the water sector in the Philippines is estimated to be far lower than what is needed. Additional funding through commercial financial institutions (“**FIs**”) will help meet the large financing needs of the sector. However, this is currently not fully fulfilled by existing facilities in the market, such as the Development Bank of Philippines’ (“**DBP**”) water facility (outstanding portfolio at PHP 11.2 billion, i.e., ~US\$218 million as of Dec 2020).

##### Indonesia

Similar to the Philippines, Indonesia also faces pressure on water resources and challenges of meeting the extensive demand. Despite an improvement over the past decades, there are still about 24 million people who lack access to basic drinking water services and 38 million people who do not have access to basic sanitation services. In addition, Indonesia has one of the lowest rates of conventional off-site sewerage coverage in Asia, with only 2% of households in Jakarta connected to public sewerage system. As a result, the contamination of groundwater contributes directly to infant mortality (212 per 1000 births compared to 59 per 1000 in other middle-income countries in Southeast Asia), and stunting has become a severe health issue. The Indonesia

Development Plan (RPJMN 2024) sets the goal of reaching 100% universal access to drinking water and sanitation services by 2024, however, challenges are immense including a significant financing gap.

## B. OBJECTIVE AND EXPECTED RESULTS

**Objective.** The objective of this assignment is to conduct a diagnostic and scoping exercise. This will assess the viability and make recommendations on the appropriate models for financing eligible small-medium water companies. The aim is to target eligible companies with financing needs or debt capacity smaller than US\$10 million (the “target market”) and look at how to aggregate the financing through financial intermediaries or other partners (NGOs like water.org for example) in the Philippines and Indonesia.

**Expected results.** The consultant will deliver a final report which includes the following components: (i) an assessment of the target market with a list of eligible companies using agreed eligibility criteria, as well as its estimated financing needs; (ii) identification of a list of potential financial institutions that are interested to finance the target market in the WSS sector, and (iii) recommendations on appropriate aggregation financing models to address the financing gap of the target market through financial intermediaries in the Philippines and Indonesia.

## C. TASKS AND DELIVERABLES

The consultant will leverage on existing WB/IFC work in the WSS sectors in the Philippines and Indonesia.

**Task 1:** Develop a market screening framework and eligibility criteria in order to identify the target market in the Philippines and Indonesia.

**Deliverable:** An inception report on work plan and proposed market screening methodology and eligibility criteria of the small-medium sized players in the WSS sectors in the Philippines and Indonesia.

- Review the existing financing facilities available to the WWS sector in the Philippines and Indonesia, including and not limited to loan facilities provided by LWUA, Development Bank of the Philippines (“DBP”), Land Bank of the Philippines (“LBP”), Bank Mandiri, Bank Rakyat Indonesia, Bank Negara Indonesia, and NGOs such as water.org. Engage with the selected FIs together with IFC and understand the main terms, eligibility criteria and constraints of these existing financing facilities in the market. Engage with the selected private commercial financial institutions together with IFC to gain an initial understanding of their appetite and expectation to potentially lend to the WSS sector. IFC will provide the list of the FIs for initial engagement and can help set up the meetings when there is existing collaboration between the institutions.
- The consultant and IFC will have initial discussions with select financial institutions in the Philippines and Indonesia who are currently lending or looking into potentially lending to the WSS sectors in the two countries. The objective is to gain better understanding of the existing financing facilities available in the market and the FIs’ potential appetite and expectations as well as their evaluating and monitoring system regarding environmental and social risks in the WSS sector. IFC will provide the list of the FIs for initial engagement

and can help set up the meetings when there is existing collaboration between the institutions.

- The consultant will propose a market screening methodology and eligibility criteria to IFC. The screening methodology and eligibility criteria shall take into account key operational & financial performance and governance indicators of a water company such as operating revenues, EBITDA, outstanding gross debt and net debt, investment program over the next 3-5 years taking into account the effect of the Mandanas Ruling, installed capacity and number of active service connections. The consultant can refer to but does not need to conform with the existing categories/credit classification guidelines by the respective government authorities in the two countries.
- The consultant shall prepare and deliver a report, which shall include the detailed screening methodology and eligibility criteria. The consultant and IFC shall discuss the proposed eligibility criteria and the consultant will make suggested changes/adjustments (if any) thereafter. The agreed screening methodology and eligibility criteria will be applied to develop a list of eligible small-medium sized water companies in the Philippines and Indonesia.

**Task 2:** Use the screening methodology and conduct market mapping and screening of the WSS sector players in the Philippines and Indonesia.

**Deliverable:** A list of eligible small-medium sized companies in the WSS sector in the Philippines and Indonesia (“**target market**”) within 9 weeks from consultant appointment

- The consultant will prepare a comprehensive list of private sector companies and subnational utilities in the WSS sector in the Philippines and Indonesia along with their key financial & operational indicators as well as any negative news or red flags.
- The consultant will apply the screening methodology to screen the list and put the companies into three categories: (i) small-medium sized companies that meet the agreed financial and operational criteria and are considered eligible for financial institutions (“**FIs**”) to consider financing, i.e. the target market, (ii) small-medium sized companies with poor financial and operational performance and are considered ineligible for FIs to consider financing, and (iii) large sized companies for IFC to engage directly potentially.
- Together with IFC, the consultant will engage with at least 10 private companies and subnational utilities within the target market for each country to understand their financing needs and expectations, challenges and potential opportunities.

**Task 3:** Recommend appropriate financing models of financing the target market via aggregation structure through FIs.

**Deliverable:** Draft Final Report within 13 weeks from consultant appointment

- Identify potential commercial FIs that would be interested in the financing opportunities in the WSS sector in the Philippines and Indonesia, leveraging on existing relationship of IFC with FIs in one or the two markets. Engage with selected FIs together with IFC to have more in-depth discussion regarding their appetite and expectations of this sector. Refine the eligibility criteria to reflect FIs’ feedback if needed.
- Review global successful aggregation financial models and recommend bankable business models to finance the target market through the FIs, including but not limited to credit lines, credit enhancement tools, risk sharing facilities or other models and structures as well as investment in capital market instruments issued by FIs (e.g., blue bonds).

- Recommend on eligibility criteria, guidelines, toolkit, underwriting guidance, and capacity building services to enable FIs to identify target eligible assets.
- Recommend on monitoring and evaluation tools for FIs to assess financial and environmental impact of investments in the WWS sector.
- Review of regulatory framework and raise any gaps for FIs to invest in the WSS sector. Review processes for utilities to raise debts including assets security regime and identify regulatory constraints (if any).
- **The deliverable will be a Draft Final Report** that includes the above information and an action plan for IFC's engagement with selected FIs to set up water facilities to provide financing to the target market.

**Task 4:** Address comments from IFC on the Draft Final Report and conduct a virtual presentation

**Deliverable:** Final Report and a virtual presentation within 16 weeks from consultant appointment

- The consultant will provide clarifications and supporting data as requested by IFC upon examination of the Draft Final Report.
- The deliverable will be a Final Report with all data collected during this assignment.
- The consultant will organize and host a final presentation to IFC staff. It will be conducted in a virtual format.
- The consultant may be requested to present the summary of the findings at one internal webinar and two external webinars if deemed necessary.

#### ***General requirements across all Tasks***

- Participate in periodic calls and meetings with IFC to report progress and discuss interim findings during the course of this assignment.
- Update and modify reports according to comments from IFC.

#### ***Format and Quality of Deliverables***

- All deliverables must be submitted on time, per agreed deadlines.
- All report submissions will follow a presentation meeting at a suitable venue including virtual format.
- Each deliverable shall be submitted to IFC and approved by IFC.
- All documents will be submitted in fully editable Microsoft Office suite.
- Deliverables shall be written in English in clear and concise language.
- Deliverables must be precise and technically correct.
- Consultant shall apply benchmarks from reliable sources and these sources shall be indicated in the reports. Plagiarism is not acceptable. Reference to reliable sources is expected.
- The consultant is solely responsible for the collection, assessment, verification and reporting of data for the project. IFC will not provide data to the consultant or support the consultant's data gathering role. The consultant is responsible for the final quality and deliverables and is expected to exercise their own judgment in this regard. Any delay on account of data issues will be solely the responsibility of the consultant.

#### D. WORKPLAN, DELIVERABLES AND TIMELINE

The consultant is expected to complete the assignment in 16 weeks. Expected deadlines for the deliverables are as follows:

Task	Deliverable / Actions	Duration	Deadline since appointment
	<b>Kick-off Meeting</b>	1 week	1 week
1	<b>Report</b> on work plan and proposed screening methodology & eligibility criteria	2 weeks	3 weeks
2	<b>List</b> of eligible small-medium sized water companies	6 weeks	9 weeks
3	<b>Draft Final Report</b> on recommendation on appropriate financing models	4 weeks	13 weeks
4	<b>Final Report</b> and virtual presentation	3 weeks	16 weeks

#### E. CONSULTANT QUALIFICATIONS

- The consultant should be an experienced consultancy firm with proven solid background and substantive experience of working in WSS sector in the Philippines and Indonesia.
- The consultant must demonstrate experience in working with commercial FIs on corporate and project financing over the last 10 years.
- The consultant must demonstrate availability of adequate number of qualified staff and teams to successfully accomplish the task and to submit necessary deliverables within the stipulated time period.
- The Consultant is encouraged to leverage regional and local presence to increase competitiveness of the financial proposal. Availability of a local presence is highly desirable.
- Key professional staff should satisfy the below competencies.

##### ***Key Professional Staff***

Role	Competencies
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Market Analysis Specialist/ Team Leader	<ul style="list-style-type: none"> <li>• Relevant post-graduate qualification with at least 10 years of professional experience relevant to market analysis and project development in the WSS sector in the Philippines and Indonesia.</li> <li>• Expertise in data analysis</li> <li>• Relevant experience in Project Management and leading diverse teams</li> <li>• Experience in working with the government and private sector</li> <li>• Experience and involvement of international best practices in the water sector</li> <li>• Proactive approach and problem-solving ability with creative thinking and drive for innovative alternate solutions</li> <li>• Will be responsible for the quality and timely submission of all the deliverables of the project and reporting to IFC</li> </ul>
Water Sector Industry Specialist (can be more than one specialist)	<ul style="list-style-type: none"> <li>• Post graduate degree in Civil/Chemical/ Environmental/ Wastewater Engineering with minimum 12 years' experience in the WSS sector</li> <li>• Deep knowledge of water companies' operations, challenges and opportunities in the Philippines and Indonesia</li> <li>• Deep experience in the WSS sector in the Philippines and Indonesia</li> </ul>
Financial Specialist	<ul style="list-style-type: none"> <li>• Postgraduate Degree in Finance/Economics OR MBA (Finance) with expertise in Corporate Finance</li> <li>• 10 years of corporate finance experience in regulated utilities</li> <li>• Experience in WSS sector financing</li> </ul>

The consultant may deploy any additional staff members, if necessary, to complete the tasks under this study, the cost of which is deemed to be included in the bid. However, such deployment involving substantial inputs need to be notified and concurred by IFC in advance.

#### F. EXPRESS OF INTEREST SUBMISSION:

IFC invites eligible firms to indicate their interest in providing their services. Interested firms are requested to provide a short summary of their experience, proposed team composition, and broad approach to the assignment in no more than 10 pages. Once this Request for Expressions of Interest closes, IFC shall develop a shortlist of firms to be invited to the Request for Proposals (RFP) stage.

#### G. SPECIAL TERMS AND CONDITIONS

**Confidentiality Statement:** All data and information received from IFC for the purpose of this assignment are to be treated confidentially and are only to be used in connection with the execution of these Terms of Reference. All intellectual property rights arising from the execution of these Terms of Reference are assigned to IFC.

The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorization of the IFC.

**Ownership of materials:** Any deliverables under this assignment in any form will be the property under the ownership of IFC, including any intellectual property developed under this assignment. All the Project outputs including reports and other creative work called for by these Terms of Reference in written, graphic, audio, visual, electronic or other forms shall acknowledge the support of IFC. Such acknowledgment shall contain the IFC logo. The IFC logo should be included in all documents published and distributed. All events that take place in order to extract information, to validate the results, or to distribute the documents, should have an IFC banner and relevant Donor Partner logos. Any use of IFC logos has to be previously reviewed by IFC and have the team's consent.

**Penalty for Delays:** In case of undue delay (Delay beyond 2 weeks for any deliverable submission), IFC reserves the right to cancel the contract.

**Consultant support beyond Contract Period:** The consultant shall be prepared to provide support for additional 1 month (over and above the 16 weeks contract period) for the same scope without any change in contract price.

**COVID-19 Pandemic Considerations:** Consulting firms are requested to submit to IFC, a contingency plan detailing how they will continue performance of this Contract with a minimum of delay, interruption or other disruption in the event of a security or health and safety event which affects the contractor's ability to perform the services. Vendors are advised to visit the WBG website<sup>1</sup> for guidance for vendors in connection with COVID-19.

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<sup>1</sup> [https://www.worldbank.org/en/about/corporate-procurement/announcements/guidance\\_on\\_COVID-19](https://www.worldbank.org/en/about/corporate-procurement/announcements/guidance_on_COVID-19)