



**THE MINISTRY OF WATER &ENERGY /MOWE/
TERMS OF REFERENCE FOR CONSULTANCY SERVICE
OF THE DETAIL STUDY AND IMPLMENTATION
PROCEDURES OF ADDITIONAL REVENUE
GENERATION**

OCTOBER 2024

Abbreviation

WRMP.....	Water Resource Management Policy
WSDP.....	Water Sector Development Program
WRDF.....	Water Resource Development Fund
MoWE.....	Ministry of Water and Energy
WDF-LEO.....	Water Development Fund Leads Executive Office
ToR.....	Terms of Reference
DPs.....	Development Partners
TWUs.....	Town Water Utilities
WSS.....	Water Supply and Sanitation
BA/MA.....	Bachelor of Art/Master of Art
LLB/LLM.....	Bachelor of Law/Master of Law

Background

Ethiopia has embarked on making significant achievement in water resources development using its abundant water resources potential. In terms of meeting potable water supply service and alleviating food grain deficits of the country much more needs to be done in both urban water supply & sanitation and irrigation sub sectors.

The country's comprehensive Water Resources Management Policy (WRMP) formulated by the government in 1999 has called for application of cost recovery to ensure sustainability and resource mobilization particularly in the urban water supply, medium & large-scale irrigation schemes. Following this policy, the Water Sector Development program (WSDP), was also drawn up that necessitated the establishment of a Water Fund which helps the financing of the water sector, mainly the urban water supply & sanitation sub sector through implementing the cost recovery principle as it was pointed out in the policy document.

Accordingly, the Water Resource Development Fund (WRDF) was established by the government in 2002 with proclamation no. 268/2002, to serve as a financial wing of the sector, with a major responsibility of centrally administering & mobilizing financial resources, as indicated in its proclamation, grants and loans from foreign governments and international donor agencies and budgetary allocations by the Federal Government and other sources. Thus, WRDF was established to provide long-term loan to urban water supply and sanitation service providers and irrigation cooperative associations based on the principles of cost recovery. WRDF has been extending long term loans only to those water supply and sanitation projects that fulfill its appraisal requirements. And it has been also collecting loan repayments in due time and use it to build up its revolving fund for the same development purpose.

However, the Ethiopian Government's new restructuring of public institutions by proclamation No.1263/2021 has transferred the power and duty entrusted to WRDF as provided by Proclamation No. 268/2002 to the Ministry of Water & Energy (MoWE). Accordingly, Water Development Fund Lead Executive Officer (WDF-LEO) is established as one working unit in MoWE accountable to the State Minister of Water Supply and Sanitation sub sector. Thus, this WDF-LEO is continuing its loan provision service to TWUs as before.

Even though MoWE-WDF has been making many efforts to improve its overall institutional capacity, including its loan financing service. However, MoWE-WDF is still facing some challenges in its loan operation. Among the challenges, lack of financial resources for loans is the most critical one. Due to this financial constraint, MoWE-WDF cannot meet the ever-increasing demand for loan project financing operations, from many regions and towns. To mention some of the causes for the weak supply of loan finance of MoWE-WDF: - the Federal Government didn't inject seed money to MoWE-WDF at the outset, discontinuation of the subsidy budget that used to be allocated from Federal Government through Ministry of Finance and the slow turnover of the loan repayment as WDF is extending long term loan with very minimal interest rate that never compensate the loss of the value of WDF's loan money due to inflation through time.

MoWE-WDF, in an effort to figure out its main strategical problems, it has been initiating the study to look for options of additional revenue generation mechanisms, with the objective of increasing its revolving fund capacity. With this purpose, a local consultant was hired and carried out the feasibility study on additional revenue generation options. As per the consultant's study report submitted to MoWE-WDF on May 2020, four additional revenue generation options were identified with recommendations for further detail study. The details of the options can be accessed from the feasibility report. In addition to the options identified by the consultant, MoWE-WDF's team of experts has also identified some other additional options for an additional generation of revenue.

Accordingly, MoWE-WDF's team of experts has done preliminary evaluation on proposed additional revenue generation options to check their feasibility for further detail study by professional consultants, for which this term of reference (ToR) is prepared. As the result of the preliminary evaluation done by the Team on options presented, four of the potential revenue generation options are found to be feasible for further detailed study.

Therefore, this time MoWE-WDF needs the assistance of professional consultants, which is the subject of this term of reference (ToR) who can carry out an in-depth study in all respects of the options and prepare a document which will enable MoWE-WDF to immediately apply into practice upon approval.

1. Objectives of the consultancy service

The general objective of this consultancy service is to get applicable detailed study documents, with legally acceptable, administratively manageable procedures and recommendations on proposed options of additional revenue sources for WDF. Thus, this consultancy service requires well qualified professionals in the area who have experience proven capacity to carry out an in-depth study on each proposed option of additional revenue generation sources based on practical study methodology and analysis.

2. Scope of the assignment

To achieve the above-mentioned objectives, the consultant will conduct a thorough review of all relevant laws, and appropriate sectoral and national policies and regulations. The review will be carried out in consultation with MoWE-WDF. The major scopes of the assignment include the following: -

- a. Review all relevant documents appropriate to the assignment,
 - Refer to all appropriate national laws, polices & strategies, including ratified international conventions & regulations accepted by Ethiopia.
 - Review all study documents appropriate to the assignment.
- b. Carry out assessment and collect primary & secondary data relevant to the assignment using appropriate data collection methodology.
- c. Conduct assessment on national & international experience relevant to the assignment.
- d. Carry out an in-depth study and analysis with respect to the following proposed additional revenue generation options: -
 - Additional water usage fee from major industrial water users
 - Raising additional funds through adding a certain percent on tariff to be collected by town water utilities, as users' contribution.
 - Mobilize grants in kind from Development partners (DPs) and supply for water supply project and TWUs with reasonable price to generate revenue.
 - Annual contribution from private commercial banks for the development of towns WSS.
- e. Prepare and submit study documents for all the above-mentioned options.
- f. All study documents for all options must include implementation and workable procedures starting from the first draft document. Ensure that the financial aspects of

the new revenue streams comply with relevant local, national, and international laws, including water resource regulations, taxation, and environmental finance laws.

3. Type of the consultancy service

MoWE-WDF needs a well-organized and experienced consulting firm for this assignment, with all required multi-disciplinary professionals, relevant to the assignment as per the requirement of key staff mentioned below.

4. Deliverables

The consultant is expected to submit the following deliverable outputs in due time as per the schedule: -

- i) An Inception Report for all options under the study, 15 calendar days after the signature of the contract
- ii) First draft Study documents and implementation procedures, for all options under study (i.e. additional water usage fee from major industrial water users, raising additional fund by adding certain percent on tariffs collected by town water utilities, as users' contribution, mobilize grants in kind from Development partners and supply them for water supply project and TWUs with reasonable price to generate revenue, and annual contribution from private commercial banks, for the development of towns WSS). This delivery must be submitted within 60 calendar days after submission of the inception report.
- iii) Draft Final study documents for all options with implementation procedures, which must be submitted within 20 calendar days, after submission of the first draft documents. Following the review by MoWE-WDF on the Draft Final study documents and implementation procedures, the consultant shall organize a one-day consultative and validation workshop in which all key stakeholders participate.
- iv) Final study documents with implementation procedures and recommendations for all options. At this time, the consultant is expected to incorporate all input collected from stakeholders during the above-mentioned workshop. The final study documents and implementation procedures are expected to be submitted within 23 days after the submission of the final draft study documents and the validation workshop.
- v) Monthly Progress Report on the consultancy service.

vi) Completion report of the assignment.

Therefore, the consultant is expected to carry out the assignment with due diligence and proficiency to produce and submit quality outputs listed above. The deliverable outputs are expected to fully meet the client's expectations.

5. Implementation Scheduling and Reporting

5.1. Implementation schedule-: The assignment is expected to be completed within a total duration of 120 calendar days starting from the signature of the contract.

5.2. Reporting schedule/Requirements

In accordance with the implementation schedule, the consultant will be required to submit the following reports in the following sequence and time interval. All reports shall be accompanied by the corresponding electronic copy. The consultant will report to MoWE-WDF's Fund Development & Appraisal Desk and communicate with the focal person who shall be assigned officially by MoWE-WDF.

Table 1: Reporting requirements by the consultant at each stage.

No	Documents/Report	Submission date	No hard copies	No soft copies (CDs)	Remark
	Inception Report for all options	15 calendar days	3 copies	1CD	
2	raft study documents for all options (4)	60 calendar days	3 copies	1 CD	
3	Final draft Study Documents: for all options (4)	20 calendar days	3 copies	1CD	
4	Consultative & validation Workshop	2 calendar days	1	1	
5	Final study document for all options	23 calendar days *	1	1	

Note: - Total duration of the assignment, which is 4 months, or 120 calendar days, includes the time required by WRDF to review the study documents.

6. Payment Schedule

The payment terms and conditions for this consultancy assignment are proposed to be as follows: -

- ◆ 20% of the contract price, when final inception report is submitted and accepted by the client,
- ◆ 30% of the contract price, when the first draft study documents with the implementation procedures for all options is submitted and accepted by the client,
- ◆ 30% of the contract price, when the draft final study documents with implementation procedures for all options is submitted and validation workshop is conducted, and
- ◆ 20% of the contract price, when the final study documents with implementation procedures for all options are submitted and accepted to the client.

7. Obligation of the Client and Consultant

7.1. Obligation of MoWE-WDF

The client/MoWE-WDF/ shall facilitate all conditions necessary for the effective & successful implementation of the contract. In connection with this contract, the client will make available all information and data (including all previously done work related to the assignment) to the consultant. The client shall also facilitate all communications of the consultant with stakeholders and assist the consultant in the organization of the validation & consultative workshop with stakeholders. The cost of the workshop shall be borne by the consultant & will be part of the contract price.

7.2. Obligation of the Consultant

The consultant has the responsibility to perform this consultancy assignment with high quality of expertise to the satisfaction of the client as per the requirements of this ToR, within the proposed implementation schedule of the contract. In order to meet this objective, the consultant is expected to deploy its human, financial & material resources in a well-coordinated and efficient manner.

The consultant shall carry out the study in accordance with the Terms of Reference and with acceptable standards, using qualified and appropriate staff. The consultant is required to take all necessary actions to ensure the proper execution of the assignment within the time framework agreed upon in the contract agreement. The consultant shall also hand over all original documents that have been produced during the studies that should be delivered to MoWE-WDF. All accommodation and logistics related to the assignment shall be the responsibility of the consultant.

Therefore, the consultant needs to consider all relevant direct and indirect overhead costs and taxes related to the assignment when preparing its financial proposal. An updated detailed work plan must be submitted prior to the contract agreement, and this shall also be presented in well clarified manner during the inception report submission.

8. Qualification of the Consulting Firm & Proposed Key Staffs

8.1. Qualification of the Consultant

This assignment needs, a well-qualified and experienced consulting firm which have at least an experience of 10 years consultancy service including provision of the consultancy service under subject of this ToR.

More specifically, the ideal consulting firm should have expertise in several areas related to finance, water resources management, and sustainable development. Here are some qualities and focus areas that subject specific consulting firms should possess:

1. Water Sector Expertise

The firm should have a deep understanding of the water sector, including water infrastructure, financing mechanisms, and regulatory frameworks. They should be knowledgeable about the specific challenges faced by water funds, such as revenue shortfalls, operational inefficiencies, or the need for sustainable funding sources.

2. Public Sector and Government Engagement

Experience working with government agencies, especially in the water and sanitation sector, to ensure the proposed mechanisms comply with national regulations and secure political support.

3. Sustainability and Impact Focus

The firm should be proficient in aligning revenue generation strategies with environmental sustainability and social impact goals, ensuring that the proposed mechanisms do not compromise water resources or community welfare.

8.2. Proposed Key Personnel

Table-2, Proposed Key Personnel, Experience and Man-Month Input

No.	Expert	General Experience	Specific Experience	Planned input (Man-Month)	Remark
1	Team Leader	A Minimum of 15 years of general experience after degree in Financial management /Economics	A Minimum of 10/8 years of relevant work experience after BA/MA degree in financial management /Economics and must serve in Project Financing for Water and Environmental Projects: Experience in securing and managing funds for projects related to water conservation, watershed restoration, or green infrastructure.	4	

2	Senior Financial Management analyst	A minimum of 10 years of general work experience after degree In Accounting/ Accounting & Finance / Financial Management	A minimum of 6/4 years of relevant experience after BA/MA Degree In Accounting/ Accounting & Finance / Financial Management and must serve in #Developing financial plans and projections: Served in Creating detailed financial plans that align with the goals of the water fund, and fulfilling long-term funding requirements for conservation and sustainability initiatives. #Cash flow management: #Risk Management and Compliance: Identify and mitigate financial risks associated with new revenue strategies, such as fluctuating water prices, investment risks, or changes in government regulations related to water resources. #financial reporting and accounting: Transparent Reporting: served in Providing accurate and transparent financial reporting to stakeholders, including investors, donors, or governmental bodies involved in the water fund, ensuring that the financial aspects of the project are well communicated.	4	
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3.	Senior Economist	<p>A minimum of 10 years of general work experience after degree In Economics/ Development Economics</p>	<p>A minimum of 6/4 years of relevant experience after BA/MA degree In Economics/Development Economics</p> <p>And must serve in</p> <p>#Revenue Generation through Impact Investments:</p> <p>Developing mechanisms to attract investments from funds focused on sustainability, environment, or water-related sectors.</p> <p>#Grant Writing and Securing Environmental Funding:</p> <p>proven track record of securing grants, sponsorships, or other forms of non-dilutive funding to support water projects.</p>	4	
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4.	Senior Legal Expert	A minimum of 10 years of general work experience after a degree in Law	<p>A minimum of 6/4 years of work experience after LLB/LLM degree in Law/</p> <p>and must serve</p> <p>#Experience in Environmental and Water Law: Specialized knowledge of regulations governing water resources and environmental finance, such as legal frameworks for water pricing or establishing water rights that can be traded or monetized.</p> <p>#Structuring Legal Agreements for Water Funds:</p> <p>Expertise in drafting and negotiating contracts related to public-private partnerships, water services agreements, or funding agreements between stakeholders in water funds.</p>	2.5	
			Total Man-Month	14.5	

9. Work Schedule of the Consultancy Service

The consulting firm shall submit a work schedule, which shall be adopted in consultation with the Client.

10. Professional qualification.

Organization Staffing: The consultant is also required to prepare a detailed schedule for his staffing for each assignment based on the estimated durations and indicated man-month inputs. The consultant may forward its recommendation for additional key experts required for the assignment.

Deployment of Required Experts: - The consultant shall provide the mix of knowledge, skills and experience needed depending on the scope and methodology to conduct the consultancy service as required. The consultant shall clearly deploy competent personnel for the consultancy service. The qualifications of the key experts to be deployed for the service shall have the following minimum requirements:

i. Team Leader

Senior Financial management expert/Senior Economist

A minimum of BA degree, 15 years of general and 10/8 years of relevant experience after BA/MA degree In Accounting & Financial /Accounting.

ii. Senior Financial Management Analyst

A minimum of B.A degree in Accounting /Accounting & Financial management with a minimum of 10 years general experience and minimum of 6/4 years' specific experience after BA/MA degree as Financial Management Analyst, in carrying out financial projections & analysis of organizations in similar assignments related to the requested assignment.

iii. Senior Economist

A minimum of 10 years of general and 6/4 years of relevant experience after BA/MA degree/In Economics/Development Economics in the study& analysis of revenue generation, economic analysis, and investment analysis and business development in similar assignments related to the requested consultancy service.

iv. Senior Legal Expert

A minimum of 10 years of general and 6/4 years of relevant experience after LLB/LLM degree in Law, with experience of law, policy & strategy analysis as well as legislative and legal procedures formulation.

11. Consultative& Validation Workshop

After the submission of the final draft documents of the assignment, WRDF in coordination with the consultant shall arrange a two-day consultative/validation workshop for concerned stakeholders to collect additional inputs which contribute to improving & finalize the documents expected to be prepared. In this workshop, the consultant is required to prepare a presentation for all documents under this consultancy assignment. In Addition, for this workshop, all except the consultant's expense for resource persons shall be covered by WRDF. In connection to this workshop, the consultant is required to submit its presentation to WRDF for prior review. In connection, the consultant must give due attention to and take all relevant professional inputs which will be collected during stakeholders' workshop and incorporate in the final study document and implementation procedure.