

**Request for Proposal
(Bidding Document)
For**

**Assessment of progressive water tariff in developing
countries**



WaterAid Bangladesh

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SECTION - 1 (Information to Consultant/consulting firm)

- 1. Introduction**
- 1.1 All interested and eligible consultants/consulting firms with the required qualifications and experience can submit their proposals.
- 1.2 Costs of preparing the proposal and attending the pre-bid/ negotiation meeting, if provisioned, are not reimbursable.
- 1.3 Consultant(s) are expected to follow the highest ethical standard in their participation in the bidding process and refrain from influencing the internal selection process of WaterAid Bangladesh.
- 1.4 Any attempt of undue influence on the evaluation and selection process will lead to the cancellation of the proposal from the subsequent process.
- 1.5 Any misrepresentation of facts including the facts on professional /institutional capacity will also lead to the rejection of the proposal.
- 1.5 WaterAid Bangladesh reserves the right to amend and modify the bidding documents and decide to hire a consultant for partial work.
- 2. Preparation of Technical and Financial Proposal**
- 2.1 Consultants are requested to submit their proposals written in English (font - Arial, Size -12).
- 2.2 The technical part of the proposal should contain the following:
- Detailed methodology of the study including work plan in line with the assignment objective(s);
 - Detailed timeframe including dates for submission of the outputs/deliverables as specified in the Term of Reference (ToR).
 - Relevant experience and credibility to undertake the given assignment and experience in relation to the methodology proposed;
 - Detailed CV of the team leader and key members of the study team;
 - Copy of VAT registration certificate (for consulting firm);
 - Copy of valid TIN certificate and bank account detail;
 - Technical proposal must not exceed ten pages (excluding CVs) and be submitted in PDF format.
- 2.3 The Consultant is expected to provide justified budget to be consistent with technical proposal.
- 2.4 The financial proposal should clearly identify, item wise cost for the assignment with necessary details. The budget should not include income tax as a separate head. However, VAT can be

mentioned in the budget as per government regulation.

2.5 WaterAid Bangladesh will deduct VAT and Tax at source according to the GoB rules and deposit the said amount to the government treasury.

3. Submission of Proposals

3.1 The technical and financial proposal should be submitted electronically to the following email address:

WaterAid-Tender-TA@wateraid.org with the subject line as follows:
Assessment of progressive water tariff in developing countries

3.2 Proposals submitted to any other e-mail account except the above will not be accepted.

3.3 Submission of the proposal after the deadline **November 27, 2019** will not be accepted.

3.4 Two different files should be generated for technical and financial proposals. However, both two files should be submitted into one zip folder with a cover letter addressing the Head of Human Resource, WaterAid Bangladesh.

4. Proposal Evaluation

4.1 The evaluation committee will evaluate the proposals in relation to the RFP and the ToR and applying the set evaluation criteria and point system.

4.2 The final selection will be done following a Quality and Cost Based (QCBS) method. This will be done by applying a weight of 80% and 20% respectively to the technical and financial proposal respectively.

4.3 WaterAid reserves the right to accept and reject any proposal without assigning any reason or whatsoever and may decide to go for re-advertisement without going further down the process.

5. Negotiation

5.1 Once the proposals are evaluated, WaterAid may enter into a negotiation, if required, with one or more consultant/ consulting firm for final selection.

5.2 If negotiations fail, WaterAid Bangladesh may invite the consultant with the next highest score to negotiate a contract or go for re-advertisement with fresh Requests for Proposals (RFP).

6. Awarding of Contract

The selected consultant/consulting firm is expected to sign an agreement with WAB within a week of communication of selection decision and before commencing the work.

7. Confidentiality

Information relating to the evaluation of proposals and selection of consultants will not be disclosed to other participating bidders until the winning consultant/firm has been officially notified of their selection

SECTION – 2 (Terms of Reference)

Assessment of progressive water tariff in developing countries

1. Background

Public water utilities providing water to customers through piped networks charge a price for water provision known as rates or tariffs. Water tariffs generally serve multiple purposes – primarily to recover costs, but also to ensure access across socioeconomic groups, to regulate levels of use, and to ensure fairness in water service delivery¹. However, cost recovery can often conflict with other objectives such as ensuring access to all – a conflict that is more common in the resource-constrained settings of developing countries, where tariffs are generally a controversial issue, and prices are usually set below full cost recovery for historical and political reasons².

While tariff setting practices vary widely, progressive pricing is one of the ways that water demand can be managed and wastage disincentivized, by charging higher prices for increasing consumption. Also called increasing block tariffs, the idea of progressive water tariffs is to increase the water price rates per unit of volume as the volume used increases. Thus, the largest consumers of water pay higher rates for the volume of water consumed beyond a certain threshold³. A typical progressive tariff structure consists of three types of 'blocks':

- A social or lifeline block with a volume of water corresponding to the essential minimum consumption, (e.g. 4 to 5 m³ per month and household (5 persons), corresponding to the minimal needs)
- A "normal" block corresponding to the average consumption defined on the basis of the marginal cost (e.g. from 5 to 12 or 15 m³ per month for a standard family of 5)
- A high block above 12 or 15 m³ per month set at a price designed to finance the full cost of the service⁴

Progressive tariffs can also be differentiated among consumer categories – such as domestic and commercial users. However, there are a number of challenges to the proper design and implementation of a fair and equitable tariff structure that can also achieve cost recovery. The lowest tariff-block does not benefit the poor exclusively, and the minimum consumption charges, as well as connection charges themselves, might still be too high for the poorest customers⁵. It could also be the case that a poor household with a relatively large number of members ends up paying more than an affluent household with few members. Despite these challenges, progressive tariffs remain one of the main ways in which developing countries such as Philippines, Bolivia, and Indonesia are attempting to balance the dual objectives of cost recovery and wider access.

¹ World Bank (2010) "Cost Recovery, Equity, and Efficiency in Water Tariffs: Evidence from African Utilities", Policy Research Working Paper 5384.

² Ibid.

³ UN Environment – DHI Centre, Climate Technology Centre and Network (CTCN) and the UNEP DTU Partnership (2017) "Climate Change Adaptation Technologies for Water A practitioner's guide to adaptation technologies for increased water sector resilience", Water Adaptation Technology Brief

⁴ <https://sswm.info/water-nutrient-cycle/water-distribution/software/economic-tools/water-pricing---increasing-block-tariffs>

⁵ Cost Recovery, Equity, and Efficiency in Water Tariffs: Evidence from African Utilities

One example of a progressive water tariff is in Cebu, Philippines. The tariff structure involves four blocks. There is a flat monthly fee for the first 10 m³, and for each subsequent 10 m³ up to 40m³, the rate increases. This structure does not differentiate among household groups but rather charges based on overall usage. The experience of Cebu and other regional utilities can be explored to help set up a structure that benefits the poor.

The water tariff issue is particularly pertinent in Bangladesh's urban and municipal town context given the country's existing water service scenario, where piped water supply in major cities is heavily subsidized for metered households, whereas poor families living beyond the piped network often pay exorbitant amounts to private water vendors to access water through illegal connections. An objective assessment of experiences with progressive tariffs in the region is necessary to understand how successfully such tariffs have worked in similar contexts and what lessons might be learned in case of application in Bangladesh's context.

2. Objectives

The key objective of this assignment is to present a comprehensive overview of the use of progressive tariffs for water supply in developing countries, with a focus on examples in Asia. The specific objectives are:

- a. Review of existing tariffs structures practiced by utilities in Bangladesh to provide grounds for comparison (this should quantitatively demonstrate how the existing structure hurts the poor)
- b. Identify and present examples of progressive water tariff implementation in developing countries, including discussion of other components of the tariff aimed to make the structure more inclusive
- c. Analyze and discuss the factors that led to progressive water tariffs in these cases
- d. Identify lessons learned and best practices from these experiences. Based on the above analysis, present recommendations on creating an enabling environment to initiate progressive water tariffs more widely in Bangladesh; and best practices that should be incorporated during implementation.

3. Methodology

The assignment is expected to be based mainly on desk research, supplemented by primary research in the form of interviews with key informants from utility and city authorities where needed. The consultant is welcome to suggest additional research methods as per their assessment of the assignment. The consultant is also encouraged to visit, but not to get indoctrinated by, an example of progressive water tariffs in the municipality of Paikgachha in Khulna, supported by WaterAid Bangladesh.

4. Timeframe and deliverables

The total assignment should be completed within 90 days after the signing of the contract. The individual/firm will submit a proposed work plan with key milestones within a week of signing of the contract. The work plan will be reviewed and approved by WAB. It is anticipated that the first draft of the report will be produced after 4 weeks of the signing of the contract. The final report should be submitted within a week of receiving feedback.

The Consultant is expected to deliver the following outputs:

- Inception report containing final methodology and detailed work plan.
- A well-written draft report organized according to study objectives and containing detailed findings
- Presentation of the key findings and recommendations to an external audience, if required and suggested by WAB.

5. Expected competency of the consulting firm

Interested consultant/consultant firm is expected to have the following competencies and experience:

- Expertise in conducting studies in WASH in a similar context
- Capacity to conduct mix-method studies
- Competency in writing good quality reports in English

6. Contact person

Bidders will have the opportunity to send written questions until **November 21, 2019, up to 1:00 p.m.** Hence, bidders who are interested to submit a proposal are requested to share questions in the following in email address, Muktadirul Islam Khan, WaterAid Bangladesh to the following e-mail address: MuktadirulIslam@wateraid.org