

Terms of Reference

Scoping Study on Non-Revenue Water Opportunities and Regulatory Framework in the United Kingdom

1. Summary of Requirements

The Prosperity Fund Programme in Brazil seeks to appoint a Service Supplier (contractor, company or professional) with in depth knowledge of the water sector to deliver an analysis of the formulation and developments of the water and leakage regulatory framework in the United Kingdom mainly focused on - but not limited to - the following elements:

- The current policy, legal and regulatory frameworks relevant to water treatment and water losses, as well as the capacity of the relevant water utilities, public institutions and private sector to implement the legislation;
- The notable challenges because of the privatization of the sector and how all the changes had affected the regulators (explore some case studies, OFWAT and Thames Water for instance).
- The opportunities created for private companies that provide products and services for the related sector in order to comply with regulatory demands.

Focusing on the above areas, the study will have two objectives:

- i. To provide an in-depth study around the UK water regulatory framework, flagging the best initiatives, lessons learned and what has been done to modernize it.
- ii. To identify and map relevant market opportunities and UK private companies within Non-revenue water sector to support the delivery of secondary benefits¹ of the Prosperity Fund and strengthen UK companies' presence in Brazil.

2. Introduction and Context

The scale of Brazil's economy and its global political influence makes it of significant strategic global importance, including an important like-minded partner for the UK in the multilateral arena. Thereby, as part of the £1.2bn global Prosperity Fund, aiming to support the inclusive economic growth needed to reduce poverty and contribute to achieving the SDG, the UK will invest around £110m in Brazil until 2023 to expand the potential for global trade, catalyse innovation and investment and increase opportunities for international business in the country.

The UK is well placed to respond to and engage with the expanded opportunities that are likely to emerge if these reforms in Brazil are successful. The programme aims to remove specific market barriers and increase opportunities in Brazil for international business, including for the UK. A more open, productive and prosperous Brazil supports UK objectives and has significant global benefits.

¹ The Secondary Benefits of the Prosperity Fund will be new economic opportunities for international, including UK business, mutually beneficial economic relationships and other specified benefits.

The Prosperity Fund Brazil portfolio comprises the following programme: Better Health, Digital Access, Future Cities, Energy, Green Finance, Skills, and Trade.

3. Background and objectives

Amidst recent approval of the new water regulatory framework in Brazil (Law N° 14.026), the federal government has an ambitious deadline of 2033 for the universalisation of water supply and sanitation, and to reduce water leakage rates to up to 25%. It is expected that the water and sanitation sector will require at least R\$ 500 billion (about £78 billion) in investments in the coming years. Consequently, the National Water Agency (ANA), which was attributed the role and responsibility of the national regulation agency, is developing guidelines and standards, and structuring regulatory governance and instruments (financial, quality standards, and evaluation criteria for concessions and PPPs) to guarantee the achievement of these goals.

The regulatory water framework opens space for international and private investments, having as characteristics the increase opportunity of private sector participation in concessions and the creation of more reliable and modern criteria in the tender processes that establishes long terms solutions for recurrent problems. It is also expected that Brazilian public and private water utilities will seek for partnerships with international companies with expertise in the water sector.

The UK government wants to engage and collaborate with the Brazilian government and provide supporting from the experience in the UK regulatory framework sharing strong references and best practices when designing and harmonising Brazil's water regulation and structuring of ANA. Additionally, we want to map opportunities in this market to support UK companies to expand their presence in Brazil.

We are looking for a supplier with in depth knowledge of the water sector, especially in non-revenue water and regulatory framework. The supplier shall provide a comprehensive diagnostic report of the water and leakage regulatory framework in the United Kingdom. Including, but not limited to, mapping current level of maturity of regulation in the water sector in the UK, highlighting governance structure, detailed analysis of the framework, how the regulation agency operates, how often standards are revised, how utilities complies with the regulations. Provide case studies of utilities that are fully compliant and utilities that still in the beginning of the adequacy process and identify opportunities to UK market on non-revenue water.

To deliver this work, the supplier:

- Must have knowledge in the water sector, regulation, government affairs, and business development;
- Will need to undertake significant stakeholder engagement with key players in the UK regulatory environment, therefore knowledge of the players in this sector is essential;

- There will be no requirement for travel and all checkpoint meetings to discuss progress and milestone meetings will take place over video/teleconference with the Prosperity Fund Programme Team in Brazil.

4. Deliverables

Provide a study about the UK water regulatory framework, and its developments through the years (particularly from the privatization process until present). We aim to understand:

- a. How the British economic regulator (OFWAT) was able to promote a sustainable environment and establish guidelines for competitive investments in the leakage and complementary sectors.
- b. The standards and goals that private water utilities need to achieve in service quality, coverage and water losses.
- c. The developments, best practices and lessons learned aroused during the process of creation and implementation of the UK's regulatory framework, and recommendation for replicability in other countries.
- d. Identify the subsectors that received more investments and what kind of opportunities these changes provided for private companies.

Present the results in:

- Partial Report (1) in English with executive summary (by end of January);
- Full Report (1) in both Portuguese and English, with executive summary (by end of February);
- Final presentation via video conference to present main findings (first week of March).

5. Conditions

- I. Kick-off meeting to align expectations around the study and at least 2 checkpoint meetings to discuss the development of the study (to be scheduled later);
- II. Deliver 1 partial report or preliminary results until 31st of January and present them during one checkpoint meeting;
- III. Deliver final report including a list of UK water utilities involved on the water leakage regulatory study by February 28th. Delivery dates are not negotiable and cannot be postponed;
- IV. The FCDO can help you providing contacts, however the successful company will be responsible for engagements and deliverables.

6. Supplier Requirements

Essential

- Based in Brazil or United Kingdom and able to delivery this assessment virtually;
- Fluent in English;
- Robust knowledge and experience of water legislation in the UK and business development;
- Experience of developing studies around water sector regulations;
- Good communication skills to interact with a variety of stakeholders in both the private and public sectors;
- Flexibility to enable meetings with as many key stakeholders as possible and availability for meetings with the Prosperity Fund team based in Brazil;

Desirable

- Experience of working with the UK Government.

7. Proposals

Please submit proposals via email to Brazil.Infrastructure@fcdo.gov.uk including the information required below, by 26th November 2020

- I. Proposal based on the terms of this document, including details of delivery deadlines;
- II. Curriculum of the technical team who will undertake the service delivery;
- III. Financial proposal, which should include all charges and fees in, pounds either (GBP) or Brazilian Reals (BRL). Maximum amount for proposals should be GBP 10.000 (ten thousand pounds sterling), any proposal outside this range would be disregarded.
- IV. The study should be carried out during the period of December 2020 to February 2021.
- V. Information on available payment methods: preferable payment methods are credit card, PayPal and bank transfer.
- VI. The contract will be written by the Prosperity Fund in Brazil, it will not be accepted any kind of contract that does not follow the FCDO protocols.

The payment scheme contemplates payment by results and deliverables. The first payment will consist of 50% of the total amount of the proposal and will be executed face to the second meeting and the partial report of delivery. The remaining 50% of the total amount will be executed after the delivery of the final report, including any comments and changes after the discussion held in the Presentation of final report meeting.

All payments will only be processed once deliverables have been received and fully approved by the Prosperity Fund in the British Embassy in Brazil.