**Terms of Reference**

**English Version**

**Technical Cooperation BR - T1295  
Support for Regulation of Water and Sanitation Sector in Brazil  
  
  
( AquaFund )**

**TRAINING  
ECONOMIC REGULATION OF SANITATION SERVICES**

1. Introduction and Justification of Training  
  
The Technical Board of Regulation of the Brazilian Association of Sanitary and Environmental Engineering - National ABES via the BR - T1295 Technical Cooperation signed with the Inter-American Development Bank - IDB , confirming the compliance with the objectives of the Association and its members to the challenge of making sanitation sector innovative and competitive through continuing education to develop leadership in the regulation intends to hire an institution with experience in conducting courses on economic regulation , in order to prepare and deliver Course on economic Regulation of sanitation Services . The objective of the course is to train engineers and economists for the performance of regulatory activities in the various Brazilian states.  
2 . Rationale  
Brazil experiences a context establishment of regulatory agencies ( at the state and municipal levels of government ) instituted to regulate the provision of public infrastructure , among which is included the sanitation sector .  
The creation of regulatory agencies fills a institutional gap and is an important step to face the new challenges associated with regulating the provision of public services. The exercise of regulatory functions is exercised through various demands , however , due to the absence of a regulatory culture in the country , imposes the need for lifelong learning on the part of public officials in order to deal with the new agenda on regulatory expectations .  
Expectations of regulatory issues are economic, legal , and technical- operational , as these include , among others , the definition of economic and financial balance of concessions , tariff schemes , investment commitments , municipal sanitation plans , operational goals , management goods and rights and relations with users , key aspects in the context of the current Brazilian sanitation . The exercise of regulatory activity in these aspects, on a regular and systematic basis, require the training of the technical staff of the Sanitation Companies .  
In a perspective, it is necessary to consider the creation and establishment of a new model, which came to replace the expired contracts signed in the mold of PLANASA - National Sanitation Plan, where today the sector has to be regulated according to the Federal Law 11.447/05 - Regulatory Sanitation . Accordingly, there is need for continuous training, specific and specialized, since the socio-economic environment that characterizes the regulation is highly dynamic, and always presents new challenges to be faced, it is necessary theoretical and practical elements that can assist managers to assure good regulatory governance in the performance of activities.  
  
3 . Objective  
  
Hiring a specialized institution to prepare and deliver the course on Economic Regulation of Sanitation Services. The training will take place during the period of two consecutive weeks, with full-time course load of 80 hours and can be conducted in English, Spanish or Portuguese and will be held in the weeks in the month of August 2013.

4 . Syllabus  
  
In compliance with the aim of the training, the program is detailed to contemplate the themes set out in item 3:  
  
1. Basic aspects of regulation  
• Basic conditions of the industry  
• Natural Monopoly and reasons for regulating  
• Key elements of regulation  
  
2 . Objectives of Market Reform and regulation in network industries  
• Goals and other possible common regulatory objectives  
• Choosing regulatory priorities  
• Reconciling differences and making choices  
  
3 . Regulatory Accounting and Finance  
• Understanding of financial and other information sources  
• Capital Structure and basic approach to estimate the cost of capital  
• Monopolistic activities and unregulated activities  
  
4 . Regulation by incentive  
• Principles and applications  
• Basic methodology and hybrid  
• Pros and Cons of each method  
  
5 . Methods for regulating the return rate   
• Determination of assets  
• Own expenses and other costs  
• Pros and cons and issues for observation  
  
6. Methods for determining ceilings prices and revenues  
• Formulations and basic incentives  
• Inflation rates and factors  
• Adjustments and special cases  
  
7. Case Study in rates of return tools   
• Regulatory Priorities  
• Reasons for permission or costs rejection   
• Making decisions under uncertainty  
  
8. Case Study on hybrid control  
• Mechanisms corresponding to the context  
• Ownership of hybrid systems  
• Evaluating results and adapting systems  
  
9 . Basics of tariff structure and design  
• Characteristics of costs and pricing options  
• Decisions on efficiency and equity  
• Properties of an appropriate tariff drawing  
  
10 . Tariff structure and design  
• Tariff structure strategies and discriminating criteria  
• Cross-subsidies and tariffs below cost  
• Targeted subsidies  
  
11 . Managing the introduction of competition into the market  
• Umbundling services  
• Competitive and exclusionary conduction  
• Ensuring a competition level among competitors  
  
12 . Non-economic aspects of utility regulation  
• Quality of service  
• The social dimension of regulation by services  
• Externalities  
  
13 . Assessing the regulatory process  
• Perceptions of Agency legitimacy  
• Management of the political environment  
• Relationships with stakeholders and transparency  
  
14 . Regulation in the energy sector  
• The lessons of regulation electricity around the world  
• The experiences of the regulation of gas networks  
• Other models of power regulation  
  
15 . Regulation in sanitation  
• Costs not recovered and the vicious spiral of decline in performance  
• The first experiments in regulated services and sanitation regional authorities in Britain.  
• Reforming state enterprises: lessons from Uganda  
  
16 . Benchmarking  
• The importance of making comparisons  
• " Yardstick " and " Sunshine " regulations  
• Telecommunications references  
  
17 . The Brazilian context of regulation  
• History and motivation  
• The authority of regulatory agencies  
• Trends and future directions  
  
18 . Implications for Regulatory Agencies  
• Analysis of public interest  
• Current Issues  
• Strengths, Weaknesses, Opportunities and Threats.  
  
19 . Key lessons and conclusions  
• Prospects for new trends and regulatory activity  
• Values ​​and the regulatory agency's mission  
• Sources of information  
  
5 . Scope of Work  
  
The course will be taught in Portuguese, Spanish or English , and aims to train professionals in the sanitation sector , involved in regulatory processes in the different regulatory agencies , public or private companies and municipal departments of local operators , who are acting with the theme of regulation or likely to act on this issue .  
The program should address, in the form of lectures, conceptual and practical aspects related to multiple aspects involving economic regulation and the provision of sanitation services, regulatory governance, and relationships with users. Besides the lectures will be held specific sessions on legal , financial and accounting , relating to regulation and regulatory relevant experiences , to be delivered by representatives of regulatory agencies already established .  
The institution should address the five issues cited, applying learning exercises related to these themes, which consists of qualitative analysis of the themes. The institution should suggest new themes based on the current Brazilian regulatory context. The benchmarking of best practices and exercises should be examples of Latin America such as Mexico, Chile and Colombia and the United States or Europe.  
The content review of course material as well as the inclusion of specific sessions of national exhibitors and regulatory experience to the program of the course , will be made through close contact between ABES - Technical Board of Regulation , IDB and Contracted Institution . The institution should suggest necessary revisions and, after approval by ABES and IDB , should undertake such reviews .  
The target audience of the course is estimated at around 160 students.  
  
6 . Products  
A. Products will include :  
I. Printed Handouts and Applied Exercises on themes that are part of the material should be accompanied with the bibliography, framework with a summary of the topics covered in each topic , and a glossary of technical terms used , and the exercise in line with the themes members edition of the Course ;  
II . Exercises of Practical Issues and Evaluation Learning contextualized in real data sanitation sector preferably followed by regulated Sanitation Enterprises data, with different sizes and Brazil similar context with references of Mexico, Colombia , Chile , Europe or the United States;  
III . Audiovisual Materials Revised;   
IV. Case Studies Based on National Experiences and International countries above, and,   
V. Performance and Evaluation Report .  
  
B. The products shall be presented in Portuguese.  
C. All documents must be presented in its final version on CD - ROM in Word for Windows Vista. The documents should be clear and concise writing, with a detail appropriate level to the language and perfect understanding by staff involved in the program . We ask also the institution to include a summary of the Product (abstract ), which should not exceed one page . This summary should clarify the content of the document, its purpose and main conclusions, in order to facilitate consultations and research .  
D. The infrastructure required to achieve the educational course such as classrooms , computer room , reprographics , communications , snacks , etc. . , will be the responsibility of ABES, which will engage an entity for this purpose.  
E. Likewise, the Technical Cooperation will bear the costs of transport , food and accommodation for teachers and speakers to be invited and health insurance in Brazil .  
F. ABES and IDB make available a summary containing information and analysis on the sanitation sector in Brazil , to facilitate understanding of the consultants and foreign teachers in their exhibitions , as well as data needed for exercise preparation.  
G. ABES is authorized to record the course to compose Digital Library Access for Regulatory associates   
7 . Term  
As specified in item 4 of this Terms of Reference , the course will be taught in two weeks . The institution should submit to ABES , within thirty (30 ) days before the beginning of the course , course materials and handouts needed to realize the course . The delivery by the chosen institution of the Performance and Evaluation Report should happen until twenty (20 ) days after completion of the course.  
8 . Cost and Payment  
Payments shall be made as follows :  
I. 10 % ( ten percent ) of the total contract in approving the textbooks revision. ;  
II . 40 % ( forty percent ) of the total contract before the course , 20 % ( five percent ) for the organization of the edition of the course and 20 % ( fifteen percent ) on the approval of the Performance and Evaluation Report ;  
III . 50 % (twenty five percent) of the total contract within 20 days after the course closure and the approval of the Evaluation Report and Performance.  
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9 . Final Remarks  
A. The chosen institution may not use courseware on Economic Regulation of Sanitation Services in any courses or events which is the participant. The teaching material is owned by ABES - IDB and encompasses the handouts on the subjects, the learning exercises, overall end exercise and audiovisual material.  
B. The core team of teachers who will teach the courses may only be modified by teachers technically similar or better, and after consultation and approval of ABES .  
C. The disclosure of the Course, as well as the selection of participants, will be the sole responsibility of ABES and IDB.  
D. The Bank may disclose and indicate the course participants and lecturers.  
E. Course participants who carry out the final evaluation, and are approved , will receive a certificate of completion of the same , issued by the University as University Extension Course or Specialization in Economic Regulation or other evidence agreed with the IDB and ABES . Participants who fail to make the final exam will receive a certificate of participation as a listener Course. ABES provide courseware in paperback and electronic media, to the chosen institution, and it cannot provide the materials, electronically, to the course participants.  
F. Some additional teaching materials that may be necessary to distribute to participants during the course can only be delivered after consultation and approval of the ABES .  
G. After course completion, ABES will evaluate general character of the results achieved , on the performance of the institution and provide guidelines to be applied in future editions of the course.  
  
10 . Schedule and Contract Term  
  
The work should be executed as from the date of hire of services to ensure the approval of the courseware . The course will be taught in two consecutive weeks .  
  
11 . Payment  
  
  
Payments will be against products approval in each delivery , adding this time to the deadline for payment processing.  
  
12 . Team  
  
The institution should indicate the speakers / teachers in advance for ABES and IDB prior approval and ensure the instructor replacement in fortuity of a disease.