

# Terms of Reference: Financial Viability Study of Cova's Circuit Rider Model

## 1. Background

Cova ([www.CovaAgua.org](http://www.CovaAgua.org)) is a social enterprise dedicated to advancing the professionalization and financial sustainability of community-managed water services across Latin America. The organization promotes inclusive, community-focused service delivery models that integrate social enterprise principles with technical assistance and digital solutions to enhance the capacity of local water management entities. Cova operates in rural areas of El Salvador, Honduras, and Nicaragua, collaborating with local governments, community-based service providers, and financial institutions to co-develop sustainable solutions that guarantee access to safe and affordable water in accordance with SDG 6.

Cova facilitates reliable water service delivery by providing, through its circuit rider program, direct support in the form of capacity building, technical support, chlorine distribution, and water quality monitoring to community water boards<sup>1</sup>. These legally constituted boards are responsible for overseeing and operating rural water systems; their members are elected from the community, subject to re-election after a defined period.

As Cova continues to expand its model within its current countries and considers entry into Guatemala, there is a growing need to conduct a financial and market viability study to quantify its current cost structure, identify potential revenue streams, and assess its readiness to attract investment and public financing, thereby informing its future financing strategy. This document describes the terms of reference for a study that will include a comprehensive financial analysis to guide Cova's investment strategy, partnership development, and stakeholder engagement with donors and government entities.

## 2. Purpose and Objectives

The purpose of this study is to assess the financial performance, cost structure, market potential, and long-term sustainability of Cova's operational and support models for rural water service delivery, explicitly distinguishing between (i) the cost of water service delivery by water service providers and (ii) the cost of Cova's support services. The study will analyze regulatory requirements and identify gaps between required and actual performance of water service providers and estimate the cost of closing these gaps through Cova's model, while situating Cova's approach within the broader sector landscape. The findings will generate evidence-based recommendations to inform programmatic planning, scaling strategies, and policy dialogue with governments, development partners, and impact investors including assessment of affordability, financing gaps, and the role of public and blended finance in scaling services.

---

<sup>1</sup> Community water boards are the water service providers in rural areas.

## Specific objectives

- Analyze the operational costs of Cova's existing service model broken down by country and water system type.
- Analyze the costs of providing support to service providers thus ensuring safely managed water supplies (according to relevant national standards) for rural community water systems across four identified countries broken down by system type and country, including how these costs evolve over time as systems mature.
- Analyze the financial performance of Cova's existing service model revenue, including cost recovery, margins, and sources of revenue or funding, and assess the gap between full cost and achievable revenues from local and public sources.
- Identify opportunities for blended finance, cross-subsidization, and results-based funding (RBF) to improve Cova's financial sustainability and attract impact-oriented investment, including alignment with government fiscal capacity and financing roles.
- Develop guidance for setting up results-based finance including the terms and conditions that would close Cova's funding gaps by country and water system type, and take into consideration the RBF requirements of the most likely funding organizations including government, development banks, bilateral donors, etc.
- Develop scenarios and recommendations for scaling Cova's model across different contexts (e.g., low-density rural areas vs. small towns) and into a new country (i.e., Guatemala). Creating systems for allocation of costs where and when necessary.
- Produce a report and associated deliverables summarizing key findings, comparative analysis, and strategic recommendations, including a financier-oriented investment case and indicative Heads of Terms for potential payers.

## 3. Scope of Work

The consultant or firm will undertake a comprehensive assessment of Cova's operations, business model, focusing on the following components:

### 3.1 Regulatory Compliance Gap and Market Analysis

- Map Cova's organizational and financial structure, including service models across countries of operation.
- Map the key regulatory requirements for rural and small-town water service provider related to service quality, water safety, governance, fiscal management, and reporting in existing countries where Cova operates (e.g., Honduras, El Salvador, and Nicaragua) as well as Guatemala where Cova is considering expansion.
- Assess the current capacity and performance of water service providers relative to those requirements and identify systemic gaps in compliance (linked to component 3.3)
- Estimate the types and levels of support required to close those gaps, quantifying the costs of achieving and sustaining compliance at system level (linked to component 3.2) and in aggregate (i.e., regional, or national scale).
- Compare these costs with current and projected public financing (national or local government/municipal)
- Identify the financing gap and analyze the potential roles of results-based financing, philanthropy, and impact finance in closing this gap.
- Identify key stakeholders and funding partners (public, private, and philanthropic) including their current and potential roles in financing and supporting rural water service delivery.

- Assess the market demand for the services Cova provides, including technical assistance, monitoring, capacity building, and data systems for rural and small-town water service providers.
- Analyze the competitive landscape by identifying other organizations or enterprises offering similar services and assessing Cova's comparative advantages, pricing position, and potential for partnership or differentiation in country and/or in the region.

### 3.2 Financial Performance of Cova

- Analyze Cova's diversified revenue streams, including:
  - Local products and service offerings to community water boards, municipalities, and NGOs.
  - Results-based funding for rural water system reliability and safe water delivery; and
- Conduct detailed cost and revenue mapping of Cova's operations to determine margins by service line, identify cost drivers, and assess financial performance across countries and levels of scale.
- Classify and analyze direct, indirect, and capital costs to estimate life-cycle service costs, ensuring alignment with international standards for financial sustainability assessments.
- Develop a cost-to-serve model for Cova's support systems including per system and per capita costs of delivering on-going support required to achieve and sustain regulatory compliance (linked to component 3.1), Costs reflect variations by country, system typology, geographic dispersion, and scale.
- Model how Cova's support costs decline over time as water service providers mature, including light-, medium-, and high-touch scenarios to reflect long-term cost trajectories and investment potential.
- Assess the trajectory of Cova's business model toward long-term sustainability, including the role of blended finance and potential credit mechanisms to scale operations and reduce dependence on donor contributions.

### 3.3 Financial Performance of Water Service Providers

- Categorize and assess the service models supported by Cova as well as those other models that might be supported in the future (e.g., regional utility partnerships).
- Analyze the full cost structure of water service delivery at the provider level (excluding Cova support costs which are identified in 3.2), including:
  - Routine O&M costs (labor, energy, consumables, administration).
  - Preventive and corrective maintenance.
  - Capital maintenance and asset replacement.
  - Other system-specific costs (e.g., treatment inputs, transport, management overhead).
- Estimate key performance and financial metrics for water service providers, including:
  - Cost per person served.
  - Tariff levels and revenue per connection.
  - O&M cost coverage and broader cost recovery indicators.
- Compare performance across scales, governance type, and technology (e.g., gravity flow water supply systems, electrical pumping systems, solarized pumping systems).

### 3.4 Blended Finance and Results-Based Financing Scenarios

- Model alternative financing pathways, including results-based funding (RBF), carbon and/or water credits, and cross-subsidy mechanisms between geographic areas served by Cova.
- Identify thresholds for operational profitability and sustainability under different scenarios.

### 3.5 Synthesis and Recommendations

- Develop an analytical report summarizing findings.
- Present case examples and financial dashboards (examples can be provided).
- Provide actionable recommendations for scaling investment, and integration of RBF mechanisms.
- See section 9 “Outputs and Dissemination) for further information.

## 4. Deliverables and Payment Schedule

Payment will be made upon completion of the following deliverables to the satisfaction of the client.

Deliverable	Description	Estimated Timing	Payment
<b>Inception Report</b>	Summary of methodology, data needs, and analytical framework and outline of final report	Week 4	20%
<b>Draft Financial Analysis</b>	Preliminary results, model assumptions, and findings shared for feedback	Week 18	30%
<b>Validation Workshop</b>	Presentation to Cova and partners (virtual or hybrid)	Week 22	---
<b>Final Deliverable Package</b>	Complete final Report and Brief with all associated visuals, data tables, and recommendations. See Section 9 for details.	Week 24	50%

## 5. Methodology

Qualified firms or consultants should provide a proposal which outlines, in detail, the methodology that will be used in the study. It is expected that primary and secondary data will be utilized. Cova will make the following data available to the selected firm or consultants:

- Quickbooks expenditure data
- Operational data from mWater platform

Proposals should include a description of the overall methodological approach, specific data collection and collation methods, the type of data that will be collected and the sources of the same.

## 6. Expected Expertise

Only qualified firms or consultants with demonstrated experience in financial analysis, WASH sector modeling, and rural water governance will be considered. Candidates should also have proven experience working in Central America, ideally in El Salvador, Nicaragua, and/or Honduras. Consultants should possess a strong understanding of sector governance, policy, and institutional frameworks related to water supply, public budgeting, and service delivery.

Expertise in government procurement processes, fiscal management systems, and interinstitutional coordination within the WASH sector is desirable. Familiarity with municipal financing mechanisms, decentralization policies, and donor-funded water programs in the region will be considered a distinct advantage. Fluency in Spanish and English is mandatory. Curriculum vitae of all individuals that will be involved in the consultancy should be included in the submission.

## 7. Governance and Reporting

The consultant or firm will report to Cova's Program Director and coordinate closely with designated focal points within partner organizations. Progress updates will be shared biweekly, with meetings as required by Cova representatives.

## 8. Outputs and Dissemination

The final deliverables of this assignment will include both analytical products and communication materials designed to inform Cova's internal planning and broader sector dialogue. All deliverables need to be in English and Spanish.

### Key Outputs:

- A **Comprehensive Analytical Report**, presenting the full financial analysis, findings, and recommendations written for Cova. The report should include detailed data tables, charts, and case examples illustrating key insights from Cova's operational and financial models. It should also include a review of governance arrangements and the competitive service provider landscape considering Cova's geographic footprint.
- Supporting annexes and data appendices, including financial assumptions, updated financial model, and interview summaries as relevant, including relevant electronic files (e.g., excel files).
- A **Financing and Investment Brief** targeting an external audience of potential financiers which includes national government, impact investors, development banks, and philanthropic funders- that synthesizes key findings and presents a clear investment case, including Cova's service costs, delivered, expected government fiscal commitments, and comparison to alternative models. The brief will include country-specific indicative Heads of Terms for potential contracts with governments and/or investors (e.g., service scope, payment mechanisms, performance metrics), informed by consultation and feedback from prospective financiers.
- A PowerPoint slide deck for an external audience, capturing the highlights of the analysis, visuals of financial models and revenue streams, and key takeaways for presentation to government, investors, and development partners.
- A data visualization package with selected infographics or dashboards that can be used in external communications or Cova's digital reporting platforms.

### Dissemination Activities:

- Present the findings in a validation workshop with Cova leadership, technical teams, and strategic partners.
- Provide editable versions of all deliverables to facilitate future updates and inclusion in Cova's institutional knowledge base.

## 9. Expression of Interest

Interested parties should submit an expression of interest outlining the proposed approach, detailed budget with a breakdown of professional fees and direct costs by activity. The submission should outline the personnel that will be dedicated to the consultancy, relevant (%) time, role, and appropriate supporting information outlining their expertise (e.g., curriculum vitae). The EOI should also demonstrate their expertise working on similar studies. Shortlisted parties will be required to provide three references for similar projects.

Expressions of interest with the required information should be sent to [program@covaagua.org](mailto:program@covaagua.org) with the email subject "Cova Financial Study." Interested parties are encouraged to submit before May 31st, 2026. However, submissions will be reviewed on a rolling basis until the firm or individual is identified and contracted.