

WATER PARTNERSHIPS OFFICE

INCREASING PRIVATE SECTOR
PARTICIPATION IN WATER SERVICES

Introducing the National Water
Partnerships Programme

November 2024



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA



INTRODUCTION

Increasing private sector participation in municipal water services



- **Municipalities are constrained** in terms of **finance and expertise** to address many of the challenges they face
- In South Africa there is **substantial expertise in the private sector** and the banks and pension funds are eager to increase the proportion of their portfolios invested in public infrastructure, and specifically water and sanitation infrastructure
- Private sector investment in public infrastructure is **feasible** where there is a **sustainable revenue stream associated with the investment**, so that the private sector can get a reasonable return on its investment – the project must be ‘bankable’
- There must be a focus on projects with sufficiently large and sustainable revenue streams - the larger the revenue stream in relation to the investment and the more sustainable the revenue stream, the greater the likelihood that the project will be bankable
- **Private sector involvement in municipal water and sanitation services is very low in SA** compared to other middle-income countries
- In order to increase private sector involvement, it is necessary to bring **properly packaged projects** to the market – in terms of risk allocation, financing model, clearly defined scope of work and performance measurements, payment model and contractual arrangements
- There is therefore a **strong case for programmatic approaches**

NATIONAL WATER PARTNERSHIPS PROGRAMME

Establishment of the Water Partnerships Office



- DWS in partnership with SALGA and DBSA has established a National Water Partnerships Programme and Water Partnerships Office (WPO) in the DBSA – in the spirit of Section 154 of the Constitution
- WPO is a ring-fenced entity housed in DBSA, but **owned by DWS**
- Steering committee chaired by DG: DWS oversees work of WPO
- Roles of WPO are:
 - To **develop standardized national programmes for private sector participation** in municipal water and sanitation services, to make it easier, quicker and cheaper for municipalities to enter into partnerships, without having to 'reinvent the wheel' for each partnership
 - To **support municipalities to participate in the programmes and prepare bankable projects** – where municipalities are lacking in the required expertise to undertake feasibility studies and financial structuring
 - Where appropriate, **facilitate blended financing**, including participation by DFIs
- DBSA has received initial funding from NT to establish WPO, DWS has also requested a budget for the WPO

NWPP SERVICE OFFERING

Centre of excellence

ENABLING ENVIRONMENT

Policy and regulatory considerations

MONITORING, REPORTING & CONTRACT MANAGEMENT

Mobilise funding, monitor and
report on implementation

TECHNOLOGY & INNOVATION

Centralise expertise to consider,
test and vet new technology and
innovation

COMMUNICATION

Manage public education and
awareness campaigns

WATER PARTNERSHIPS OFFICE

BEST PRACTISE

Incorporate international best
practice & lessons learnt

PROJECT PREPARATION

Project scoping, preparation and
design to create bankable projects
Create a pipeline of projects (supply
and demand)

PROCUREMENT

Centralised procurement of consultants,
contractors, operators via appropriate
procurement mechanisms such as panels
or framework contracts

STANDARDISATION

Standardisation of procurement
documents, contracting documents,
loan agreements, etc.

STANDARDISED PROGRAMMES FOR PARTNERSHIPS

The National Water Partnerships Programme

Non-revenue Water



Comprehensive WCWDM and cost recovery programme focusing on reducing losses and over-consumption and improving cost recovery

1

Water Reuse



Further treatment of municipal Wastewater to enable it to be resold for other purposes e.g. potable, industrial or agricultural

2

Waste Water Treatment



Assisting municipalities upgrade, refurbish and rehabilitate Wastewater treatment facilities

3

Non-sewered Sanitation



Cocreate & operationalize the fast-tracking and large scale adoption of non-sewered sanitation solutions in South Africa

4

Seawater Desalination



Independent producing potable water through seawater desalination in coastal cities

5

Management Contracts



Private sector provides management support to W&S function in municipality. This includes both engineering and non-engineering functions

6

FINANCING AND IMPLEMENTATION MODELS

A suite of fit for purpose funding and implementation models



1. The WPO will assist municipalities and water boards with the preparation of relevant water projects, falling within each of the programmes
2. The project preparation exercise (bankable feasibility studies) will include the determination of the most appropriate financing and implementation model. Default models for each of the programmes include:
 - a. Water Reuse Programme – PPP
 - b. NRW Programme – Performance Based Contracting (PBC)
 - c. Waste Water Treatment – PSP Model (in ICMs and under resourced munis) or PPP (in Metros)
 - d. Seawater Desalination – IWP or PPP
 - e. NSS – ISP
3. PPPs are one of the default mechanisms to be applied to enable private sector participation, but ...
4. ... a streamlined, focussed and fast tracked approach is required to ensure projects are prepared and implemented timeously
5. The WPO will employ specialist expertise to apply project finance best practice principles in order to structure and implement projects on a viable and sustainable manner
6. The WPO is proposed to become the recognized professional unit that will structure and approve municipal water PPPs

PROGRAMMES

Update on sub-programmes



■ Water Reuse Programme (WRP):

- Funding secured from the GCF (USD235m)
- Commenced with preparation of projects:
 - CSIR appointed to conduct primary screenings and detailed climate assessments in 47 municipalities (metros and intermediate city municipalities) to identify qualifying projects
 - Climate change screening committee established to evaluate and consider projects for eligibility
 - Busy with scopings and identification of reuse projects in eligible municipalities – to be followed by conducting bankable feasibility studies for qualifying projects
- Working on a funding solution for the Umhloti and Umkomaas WWTW PPP project in Ethekewini
- Assisting Ethekewini to structure a funding solution for the Northern and KwaMashu water reuse PPP project (currently in preparation phase)

■ Waste Water Treatment (WWT) Programme:

- Process underway to identify potential projects to be supported
- Use Green Drop Report as guideline – working in consultation with DWS

PROGRAMMES

Update on sub-programmes



■ **Non-revenue Water (NRW) Programme:**

- Design of the NRW Programme progressing well (develop standardized documentation – terms of reference for feasibility studies, template PBC tender & contract documents, financial models, NRW guarantee instrument, etc.)
- Metros NRW Programme developed in partnership with DWS and NT:
 - Five Metros are participating in the programme
 - Centralised procurement of advisors by the WPO to prepare and design PBC contracts in the five Metros
 - Pre-qualification of PBC contractors
 - Submitted a BFI application for NRW project in Ethekewini with support from the IF
- Various other municipalities identified for NRW preparation and/or PBC pilot projects

■ **Seawater Desalination Programme:**

- Preparing to commence with the design of the programme

■ **Non-sewered Sanitation (NSS) Programme:**

- Funding secured from the Bill and Melinda Gates Foundation for the NSS Programme in the WPO
- In discussions with Ethekewini and City of Cape Town Metros to support with pilot projects

■ **Management Contracts Programme:**

- Assisting Ethekewini with the design of a Management Contract

WPO SUPPORT OPPORTUNITIES

Areas that the WPO requires support



1. **WPO operations:** financial support to assist with WPO operations
2. **Project preparation funding:** grant or other funding required to prepare projects for private sector participation under the various programmes
3. **Funding for capacity building:** funding to support capacity building activities and initiatives
4. **Water sector specialists/experts:** secondment or sponsorship of specialist resources to work in the WPO on programmes and preparation and structuring of projects
5. **Guarantee instruments:** guarantee instruments required as credit enhancement solutions for PPP and other projects



THANK YOU

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