



THE DEVELOPMENT OF INNOVATIVE PRIVATE PUBLIC PARTNERSHIP SCHEMES UNDER THE AUSPICES OF ORASECOM

Final Report

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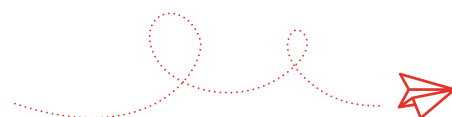
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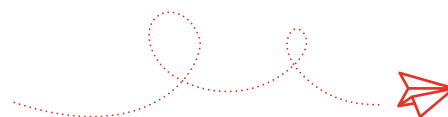
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1. Overview of the Deliverable

1.1 Objective of the Report

This report provides a synthesis of all relevant research inputs and field work activities conducted over the course of the assignment to date. Furthermore, it serves to provide an explanatory note on the clarification of scope and objectives that informed the final phase of the assignment.

The deliverable ultimately seeks to provide a suite of recommendations that could guide Orasecom's engagement with the formal Public Private Partnership sector in the near-term future. Finally, the deliverable serves to record the engagements, training activities, and results of the suitability assessments that were conducted over the July 2022 period.

1.2 Structure of the Report

This report has been organised as follows:

1. Phase 1 highlights and implications
2. Phase 2 activities and synopsis
3. Phase 2 reflections and findings
4. Recommendations and way forward

2. Phase 1 highlights and implications for Phase 2

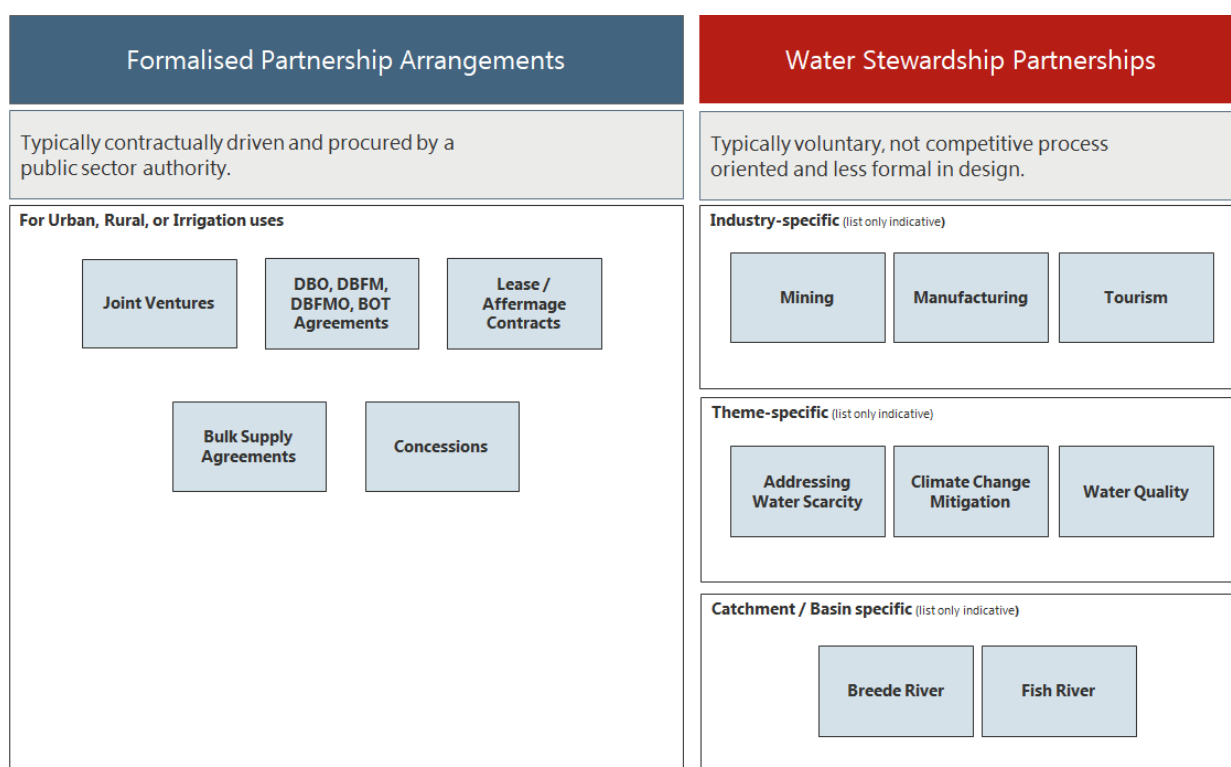
The initial phases of the assignment focused on generating an understanding of the local context and exploring the full range of “partnership” approaches deployed throughout the region. These initial phases focused on establishing a conceptual approach to partnership definition that would frame the rest of the assignment and then conducting desk-top research and interview engagements to establish a grounded understanding of local context. Interviews conducted for Phase 1 have been presented in **Appendix 1** of this document.

The following sections present the key framing components that were utilised for the remainder of the assignment as well as some of the initial observations and findings related to partnerships in the region. Finally, this Phase 1 review recounts the rationale and adjustments to scope that resulted in the more targeted activity schedule that informed the final phases of the assignment.

2.1 Structuring a framework for the assignment

One of the key challenges of the assignment was to ensure there was “commonality of language” when discussing partnerships in the water sector. Arrangements for private participation in the sector exist along a broad-based “spectrum” of activity. As the figure below illustrates, the team developed a framework to define “partnerships” more explicitly for the purposes of the assignment.

Figure 1:: Conceptual Approach for Partnership Segmentation



The figure above demonstrates how there are two main categories for grouping partnerships (1) whether the project is organised through a competitive, procurement driven process that results in a specific contractual relationship between government and private sector or (2) if the project is primarily put together through a voluntary arrangement between partners.

Another framing element to ensure there is definitional clarity in the process of opportunity identification has been defining stages of the “water market value chain.” This value chain presents the view that there are distinct stages to the life-cycle of water resources and, within those stages, there are opportunities for projects.

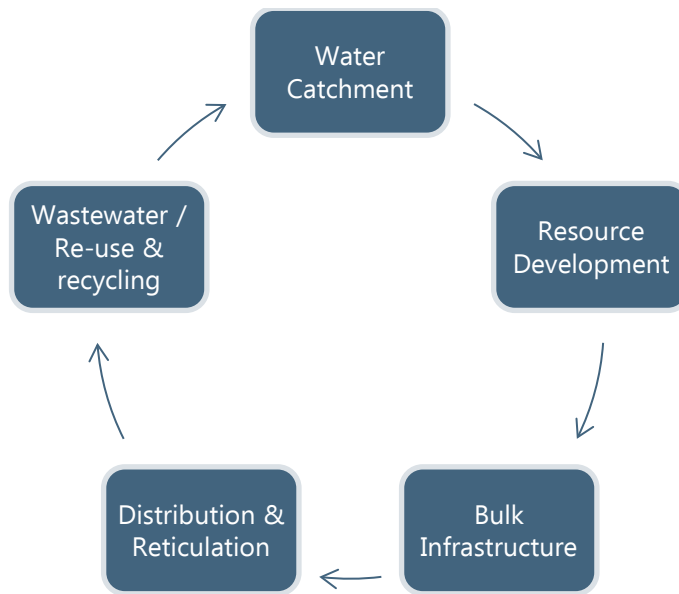


Figure 2: The Water "Value Chain"

The figure above highlights that the stages of the value chain exist along a continuum and, particularly from a basin perspective, inter-relate with one another. These stages could each have a range of project opportunities and the framework was put to use during the capacity building component of the assignment’s final phase.

2.2 Notable findings from the review

The engagement process and desk-top review in the initial assignment phases of the work yielded a range of findings about partnership activities in the region. At a high-level, these findings include broadly the following:

1. **The opportunities across the whole “Value Chain” of the sector** - can potentially play a role in the various stages of the water market value chain. However, in the SADC context at least, there are trends related to where along the value chain you typically find specific partnership approaches.
For example, formal partnerships feature more in the downstream segments of the value chain such as Distribution and Reticulation as well as Wastewater / Re-use & Recycling. These segments of the value chain have more localised catchment areas and often align to relatively clear revenue models for specific services. However, these partnerships also rely more heavily on a few actors and thus there is heightened risk of non-participation.
2. **With respect to formal partnerships, there is variable performance** - the four riparian states all present unique and specific considerations for private sector participation. Interviewees note that one of the most consistent challenges (across all countries) is the

cumbersome nature of the regulatory frameworks in all countries. Even in South Africa that has a robust regulatory framework, there is a general feeling that the processes simply become too onerous for the private sector to follow.

The most clear and notable challenge, identified by both desktop review and through interviews, is the lack of capacity and resources to develop projects to bankability. Interviewees have noted that project preparation work is not done sufficiently and that many development finance institutions are beginning to champion the “five case model” (UK) standard to ensure that bankable projects are realised.

3. **That partnerships can evolve-** what is useful to note is that Less than formal partnerships can often evolve or result in a more formal set of arrangements and the further development of sub-partnership arrangements that tackle specific issues and have their own logic and business case. Thus, it is important to see that often partnerships exist along a continuum and there is opportunity to “spin out” specific projects that could grow of their own accord.
4. **That Water Stewardship Partnerships and other Less-than-Formal Partnerships experience challenges** – Less-than formal partnerships tend to experience challenges along the following lines:
 - a. Institutional arrangement challenges: It is often highlighted that partnerships in the region are often challenged by governance arrangements that are too loose and lack formalisation and that mandates of partners are often unclear. Moreover, public sector counterparts often fail to provide executive leadership and there is very little focus on accountability within the partnerships.
 - b. Strategic challenges: It has been identified that there is often a lack of clarity on why partnerships are made or there is insufficient information provided by partners. Furthermore, the partnerships often lack clear key performance indicators (KPIs).
 - c. Implementation challenges: Reportedly, these partnerships lack of synergy and coordination; experience fragmentation, compartmentalization and duplication of structures or governance arrangements; and also lack of implementation of decision making.
 - d. Maintenance and communication challenges: Partnerships are often poorly maintained and there is typically a lack of trust between partners. This challenge is particularly difficult in a voluntary partnership context as it can lead to a quick dissolution of the entire partnership.
5. **Engagement with the private sector requires forethought-** In some cases, it might be a clear contradiction of private sector to support a partnership which could result in limitation of their interest; however, in other cases a partnership could also further their commercial interest or help reduce their cost base. Thus, partnership designers should be pragmatic when engaging with these stakeholders.
6. **Growing role of “blended finance” in the sector** - One newer trend in support of unblocking private sector involvement in smaller-scale projects is the support of “Blended finance.” Blended finance is the term for the use of concessional/development finance in service of mobilising additional finance (often commercial) for projects that often have a socio-economic development objective. The use of blended finance in Africa continues to grow at pace with new institutions and arrangements continually arising. These financial flows are quickly becoming one of the major focal points of partnerships as they often become the

foundation for fund facilities and outcomes-based funds. They also represent a set of actors that need institutions to help identify new project opportunities and offer pipeline for investment.

The above findings helped steer a set of preliminary recommendations aimed at framing later phases of the assignment. These findings noted that there was a multitude of potential opportunities for enhancement of partnership, across the whole spectrum of partnership typologies, for the local basin. Key recommendations were presented in a previous deliverable and have been delineated again in the table below for ease of reference.

Table 1: Literature Review -Recommendations and Considerations

Recommendation	Consideration for the Recommendation
Formal Partnership Considerations	
Orasecom's unique position with its transboundary mandate for riparian states gives it status amongst potential partners – the model and role played by Orasecom with the Lesotho Highland Bulk transfer scheme could be replicated as a target area of focus	Viability and capacity from Orasecom would have to be further investigated.
Significant need for project preparation funding in the region – working in such a space could ensure Orasecom is involved in projects from their conceptualisation.	Orasecom would face similar challenges and constraints in fund-raising as existing facilities.
Interviewee states that Orasecom could play a role in supporting Water User Associations to develop projects -specifically bulk water, canals, storage dams, etc.	Non-transboundary nature means the focus is local and could duplicate with other organisations that have national mandate or focus
Less than formal partnership considerations	
Interviewee says that projects in Non-revenue water- such as the Boloka Metsi eMfuleni project – is a perfect example of how a convening organisation can play a key role in sustaining a partnership which has many facets (training, capacity building, private sector mobilisation, public sector monitoring, etc).	Non-transboundary nature means the focus is local and could duplicate with other organisations that have national mandate or focus
Interviewees – particularly The Nature Conservancy- have suggested a specific role for Orasecom to drive an endowment type fund approach in Lesotho (replicating the TNC's fund approaches in Cape Town and with Okacom in the Okavango).	Fund management requires specific skills and competencies – might put extensive pressure on existing Orasecom resources.

2.3 Implications for subsequent assignment phases

The findings and recommendations recounted in the sections above were presented on 29th April and 13th May to the Orasecom Secretariat as well as other stakeholders with the ambition to further define what should be explored in subsequent stages of the assignment. During these discussions an apparent issue rose to the forefront, namely, the areas of investigation required for furthering the

above recommendations would be quite diffuse and a challenge to address equally with remaining scope.

The conclusion of these discussions was that the remainder of the assignment should tackle the following objectives:

- Support to educating basin member representatives and helping build capacity around PPPs
- That, through this capacity development, there should be a focus on the identification of particular PPP opportunities where Orasecom could engage and add value
- Deliberating options to address the above objectives – it was suggested that the remaining scope of the assignment (contract number 08/2021) be re-oriented to deliver the following activities:
- In -country engagement with each country where the focus would be on PPP trainings in the water sector
- Developed training materials on the PPPs – with the expected outcome of identification of a pipeline of relevant and suitable PPP projects. These pipeline materials must include:
 - PPP Concepts, Best Practice and Structuring Considerations
 - PPP Suitability Assessment tool
- A summary set of findings to be presented to basin representatives as a Close-out sessions.

The above re-direction of scope presented some implications on the overall assignment scope from a resourcing and time perspective. The changes were agreed to and mission planning commenced at the beginning of June.

3. Phase 2 Activities Synopsis

In “Phase 2” of the assignment an intensive engagement programme was developed to ensure that (1) capacity building took place and (2) further opportunity identification for Orasecom was prioritised. The following sections provide a review of approach and activities conducted within the phase.

3.1 Programme Design and Objectives

The ambition of the programme design was to service a number of objectives simultaneously. These objectives included:

1. Examining the depth to which local stakeholders in the water sector were conversant in the definitional and operational aspects of formal Public Private Partnerships
2. Clarifying to those in the water sector that PPPs can originate from a number of sources but must be examined systematically and specifically in relation to particular parameters (regulatory, economic, commercial, etc)
3. De-mystifying the complexity of PPP type projects to enhance belief that such projects are doable in the local market
4. Provision of practical tools that enhance local capacity and could enable a proliferation of project origination

The above objectives were serviced through a training programme that included a number of different modules. This training programme was deployed in three of the basin countries (Lesotho, Botswana, and Namibia). The fourth basin country, South Africa, is in process of transitioning coordinators and a different approach was designed (discussed in **Section 3.5: South Africa** activities). The table below clarifies these modules.

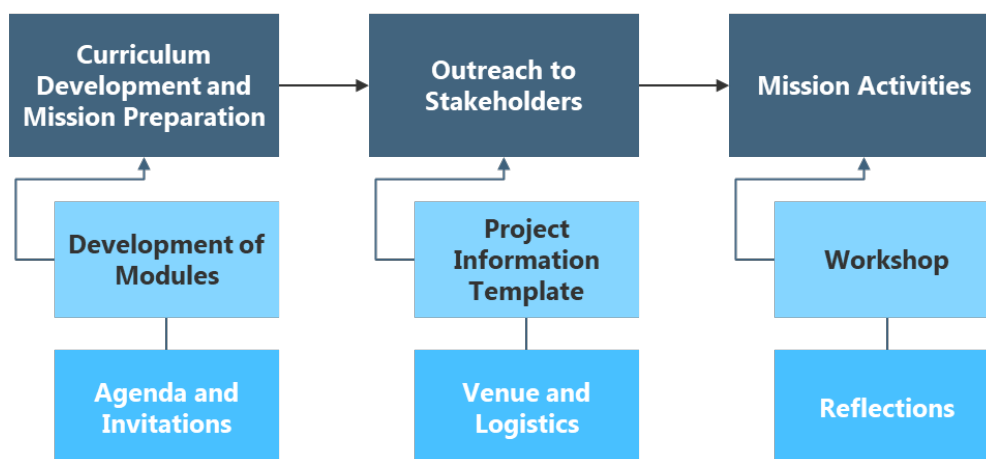
Table 2: PPP Training Programme

Module	Coverage
Day 1	
PPP Concepts, Definitions, Value Drivers	An interactive presentation approach to discussing PPPs both broadly and unique parameters to PPPs in the sector. Coverage included: <ul style="list-style-type: none"> • Concepts and Definitions • Typical contractual approaches • Risk allocation practices • Value Drivers of PPPs • Case study examples (sector specific)
Introduction to suitability tools and analysis	Engaging the participants on how to approach assessing projects for their potential suitability for PPPs and relevant considerations therein. Coverage included: <ul style="list-style-type: none"> • Stage-gating suitability assessments • Typical parameters of assessment • Relevant questions and considerations on process
Participant presentation (basin representative driven)	A component of the project was to ensure participant interaction. Thus, participants were tasked with providing an input to the training programme where they presented their pre-selected projects.
Suitability Assessment exercise	Facilitators worked with participants to scrutinise proposed projects against the suitability tool. This suitability assessment included both Stage 1 suitability (basic fitness criteria) and Stage 2 suitability (prioritisation and project readiness).
Day 2	
Reflections on Training Approach	The first module of the second day allowed facilitators to engage participants in reflection on the training work conducted in the previous day. This included: <ul style="list-style-type: none"> • Reflections on PPP concepts and conceptual understanding • Reflections on content approach and the selected case studies • Facilitator reflections on in-country understanding and PPP readiness
Opportunity identification and Way Forward	The final module of the day was a collaborative exercise to translate reflections into forward looking opportunities. This included: <ul style="list-style-type: none"> • Considerations for advancing PPPs (broadly) in the country along regulatory, market, and institutional lines • Opportunities for deepening PPP opportunities in the water sector

Note: The above programme materials have been appended to this report as Annexure 3: Training Materials.

The activities leading up to the mission were an integral component of conducting the mission work as well. Overall the programme of activities can be diagrammatised as follows.

Mission Development Process



The below sections serve to present relevant details on each of the missions conducted.

3.2 Lesotho Programme

The following table presents the relevant details for the mission to Lesotho.

Date of Mission	July 5 th and 6 th	Number of Attendees	15
List of identified projects	<p>The following were the tabled projects from the local stakeholders:</p> <ul style="list-style-type: none"> • Oxbow Hydropower • Mohale Dam Mini Hydro • Multi-purpose dams (various locations) • Lesotho / Botswana Water transfer scheme • Mohokare Local water monitoring project (Maseru) • Integrated catchment management scheme (Maseru) <p>Two of the above projects (Oxbow and Mohokare water monitoring project) were jointly assessed by participants of the workshop and facilitators..</p>		
Synopsis of Selected Projects Synopsis of Selected Projects	Project name	<p>Oxbow Hydropower</p> <p>The Project involves the diversion of water from the Malibamatso river which is one of the principal head waters of the Senqu river in Lesotho. This project has to be implemented as part of the Lesotho Highlands Water Project Phase II for water transfer to RSA. Lesotho needs to substitute electricity imports which are very expensive and unreliable as compared to local production. The river will be diverted from its present course through a tunnel to allow construction of the Dam and after completion of the Dam, the diversion tunnel would be</p>	

Date of Mission	July 5 th and 6 th		Number of Attendees	15			
		closed with a concrete plug which can be later put into use as a water resource in the future. A head race tunnel is proposed to be constructed to convey water through surge shaft into 1.75 m dia steel penstock leading to ground surface at ultimately feeding 4 Nos. of generating units of 20 MW each (vertical Pelton) with installed capacity of 80 MW . The Power House will be a superstructure supporting the 50 tons overhead crane and an erection bay. The 132 kV double circuit transmission line is proposed to be deigned taking into account the local wind, snow and ice conditions with total length of pprox.. 138 kms.					
	Ranking Results	Screening criteria			Project Assessment		
		Legal	Policy	Mandate	Government Readiness	Project Readiness	Market Readiness
	Takeaways	<ul style="list-style-type: none">• The project is well-aligned to government socio-economic objectives and within the mandate of the Procuring Authority• The project’s underlying business case (when specific to PPP arrangements) would require further work and confirmation of potential government subsidies.					
	Project name	Mohokare Local water monitoring project Water Quality of the Mohokare River is affected by anthropogenic activities associated with industries, agriculture and settlements of the Maseru City. The water is currently a potential threat to human health, animals and aquatic life. The quality of water in the Mohokare River (which is a major tributary of the Senqu-Orange River) is in a state of stress. The river, which stretches over Lesotho, South Africa and Namibia, is an important point of consideration for the region. The project would seek to enable private sector participation in the water quality monitoring of the Mohokare River in proximate areas to Maseru.					
	Ranking Results	Screening criteria			Project Assessment		
		Legal	Policy	Mandate	Government Readiness	Project Readiness	Market Readiness
Takeaways	<ul style="list-style-type: none">• The project managed to pass the initial screening criteria- however – as the project is in very conceptual phases- the mandate alignment and clear identification of procuring entity is necessary for the project to move forward.• The project has some potential as a PPP project given that there is market interest and comparable projects throughout the region.						

Date of Mission	July 5 th and 6 th	Number of Attendees	15
		<ul style="list-style-type: none">The project would need much further conceptualisation and definition to determine the payment mechanism, overall project scope, and value for money assessment to ensure it is a bankable PPP project.	
Key takeaways	<p>Consensus amongst stakeholders was reached on the following areas of consideration:</p> <ul style="list-style-type: none">Strong interest amongst participants for learning about PPPs was noted.Interviewees have noted that there is a real challenge in the country's PPP sector for bankability and thus projects require careful scrutiny.The PPP unit is a strong supporter of enabling PPPs across the country but also has limited capacity and must cover a number of sectors (energy, real estate, transportation, etc).Note the need for engagement with Lesotho's Public Sector Investment Committee (PSIC) and to ensure that their guidelines enable PPP developmentInterest was noted in more "ppp programmatic" approach for rural water – as the financing gap in that part of the sector is significant. Special consideration to how the private sector could address this gap and how PPP could be part of the solution was of key interest.There was a note that additional educational effort is required to help articulate the difference from general private sector participation and formal PPP		
Way Forward	<p><i>Cross-cutting proposals (originated from workshop attendees)</i></p> <ul style="list-style-type: none">Given limited capacity for PPP unit to focus explicitly on PPPs, there was interest in more capacity building activities originated from other sources. A specific recommendation was to develop a "boot camp" approach – where projects are taken through the stages of a transaction to help illustrate each stage.A desire to try and further develop concept notes on some of the projects that were identified during the workshop (particularly the local water monitoring project). <p>Proposals for advancing assessed projects (facilitators perspective)</p> <ul style="list-style-type: none">Given the scale, cost of levelized electricity, and design considerations, it is unlikely the Oxbow project can continue forward as a PPP without significant government coverage of "viability gap." Thus, it is likely to be advanced largely through traditional public procurement.The Mohokare Water Quality Monitoring project holds potential (moreover, it is potentially replicable and scalable to other locations); however, it would require clear concept development, paying particular consideration to the project's commercial concerns.		

3.3 Namibia Programme

The following table presents the relevant details for the mission to Lesotho.

Date of Mission	July 11 th and 12 th		Number of Attendees	12			
List of identified projects	The following were the tabled projects from the local stakeholders: <ul style="list-style-type: none">• Otjiwarongo Wastewater Treatment Works Project• Wastewater direct Reclamation plant (City of Windhoek)• Namwater – Desalination Water Supply Project• Katima Liselo Green schemes One of the above projects (Katima Liselo Green Scheme) was jointly assessed by participants of the workshop and facilitators.						
	Synopsis of Selected Projects	Project name	Katima Liselo Green Scheme The “green schemes”projects are large, irrigation oriented projects focused on ensuring economies of scale for bulk water transfer. The Ministry of Agriculture, Water and Land Reform is interested in public – private partnerships (PPPs) to fully implement the Katima/Liselo farm green-scheme project in the Zambezi region. The Mafwe Traditional Authority has thus allocated about 1 600 ha of land to the government for the implementation of the farm project.				
Ranking Results		Screening criteria			Project Assessment		
		Legal	Policy	Mandate	Government Readiness	Project Readiness	Market Readiness
		Takeaways	<ul style="list-style-type: none">• Generally strong alignment to basic screening criteria (supported by both PPP Act / Green Scheme Act, Gazetted and confirmed (additionally checked with traditional authority) Consent letter from traditional authority, and PPP act identifies agriculture as a priority sector.• Project assessment stage suggests there is a number of areas where there is opportunity to deepen the project’s suitability for PPP arrangements which include:<ul style="list-style-type: none">○ Project development resourcing -the Ministry has limited resources but is seeking support from the ministry of finance (but you also need to establish a small project implementation unit)○ There has yet to be a robust analysis of technical approach (comparison of options) and, while the project development work has included high level capital expenditure estimates, no “life-cycle” analysis approach to revenue /expenditure.○ Legal analysis has investigated preliminarily water rights and environmental issues but full integrated legal due diligence outstanding• Some promising indicators such as (1) Ministry has been approached by large-scale and credible operators and (2) there are some relevant local comparable (but not necessarily PPP).				

Date of Mission	July 11 th and 12 th	Number of Attendees	12
Key takeaways	<p>Consensus amongst stakeholders was reached on the following areas of consideration:</p> <ul style="list-style-type: none"> • That future discussions should be broadened to include other entities and sub-national actors (e.g. municipalities, local authorities) – more for educational purposes and for clarifying the difference between formal PPPs and just private sector participation. • That in Namibia, the main PPP opportunities (yet still undeveloped) sit with aquifer recharge, pipelines, and agricultural-linked projects. • That more needed to be done to highlight how one must “think differently” at the outset of project development. That mainstreaming PPP procurement as an option in Capital investment frameworks will require engagement with the procurement units to educate them on contractual structures and procurement processes for PPPs – helping encourage teams to anticipate these issues early rather than later. 		
Way Forward	<p><i>Cross-cutting proposals (originated from workshop attendees)</i></p> <ul style="list-style-type: none"> • Suggestion to encourage those in the water sector to revisit the “graveyard” of traditional procurement projects- that there are possibly a number of projects that could be revitalized because often projects are simply retired when the design stage suggests to large of a capital expenditure expense. • That more capacity building specific to the water sector would be useful as PPP unit is fairly overloaded having to look at a range of infrastructure sectors simultaneously. • That one approach to capacity building could be to further cultivate a pipeline of live projects - More projects supported through concept development phase (in liaison with PPP unit) through successive stages of PPP development. That such an effort could entail walking through an example project from RFP issue through output specifications to financial close <p>Proposals for advancing assessed projects (facilitators perspective)</p> <ul style="list-style-type: none"> • While not specifically assessed through the tool, it is noted the Otjiwarongo Wastewater Treatment Works Project is relatively downstream in feasibility assessment and could prove a useful template for other wastewater treatment PPP project opportunities more aligned to the Orange-Senqu basin • The Katima Liselo Green Scheme would need more work done to establish the commercial case before further developing into a PPP project; however, the project holds promise. • In both irrigation and wastewater treatment projects there appears to have been substantial work developed and interest- further identifying such project opportunities aligned to the Orange-Senqu basin would be low hanging fruit. 		

3.4 Botswana Programme

The following table presents the relevant details for the mission to Lesotho.

Date of Mission	July 22 nd		Number of Attendees			33		
List of identified projects	The following were the tabled projects from the local stakeholders: <ul style="list-style-type: none">Gaborone / Glen Valley Wastewater Reclamation ProjectChobe Water Transfer SchemeNamibia-Botswana Sea Water Desalination Plant and associated pipelineOutgrower Irrigation SchemesRevision of Mopolo River dams to multi-purpose damsFrancistown Wastewater Treatment PlantRehabilitation / Re-purpose of existing brownfield Metro Waste-water plants (Lobatse, Selebi-Phikwe, Serowe and Tonota)Underground water to irrigation schemes							
	Synopsis of Selected Projects	Project name	Gaborone / Glen Valley Wastewater Reclamation Project <p>The Government intends to implement Gaborone Wastewater Reclamation Project through its parastatal, Water Utilities Corporation (WUC) to mitigate the pervasive water shortages in the Greater Gaborone area</p> <p>The project will complement other activities geared towards climate resilience especially during prolonged drought periods. The proposed project will also assist with increased sustainability of large water transfer schemes with possibility of deferring other large inter-basin transfer schemes.</p> <p>The project is consistent with National Water Policy (2016) which espouses the reuse of treated effluent, recycled water and other alternative sources for potable and non-potable uses. The initiative is also included in the National Development Plan 11.</p>					
Ranking Results			Screening criteria			Project Assessment		
		Legal	Policy	Mandate	Government Readiness	Project Readiness	Market Readiness	
		Takeaways	<ul style="list-style-type: none">The project, as of July 22nd 2022, had completed feasibility stage and been tendered out for procurement. Reportedly, the procurement exercise had gone successfully with substantial response from the market.While the project was well passed the concept stage and thus, was of limited use for suitability assessment, the success of the project in the market suggests it could potentially set precedent for other similar potential projects (specifically wastewater treatment and re-use in Botswana’s major metropolitan areas) which could be further developed.					

Date of Mission	July 22 nd	Number of Attendees	33
		<ul style="list-style-type: none">Feedback on the project highlights that engagement with the PPP unit on the project had helped cover capacity gaps within the public sector.	
Key takeaways	<p>Consensus amongst stakeholders was reached on the following areas of action:</p> <ul style="list-style-type: none">Taking project ideas forward..... Potentially use the screening tool to take these ideas forward – as a preliminary checklist – further developing the project pipeline with the PPP unit.That in Botswana, the main PPP opportunities (yet still undeveloped) sit with potable water and agricultural-linked projects.That there was substantial potential that the Lesotho / Botswana water transfer will result in specific downstream opportunitiesGeneral consensus that PPPs in the water sector was a major priority for government; however, the PPP unit is relatively constrained to focus solely on the sector.Significant interest in seeing the financial aspects and risk transfer components of the training to greater level of depth.		
Way Forward	<p><i>Cross-cutting proposals (originated from workshop attendees)</i></p> <ul style="list-style-type: none">That (as of 2019) the PPP unit, in conjunction with the AfDB, is significantly ramping up PPP capacity building efforts in the country (including facilities for training, executing a pilot project, PPP regulations review and re-development of guidelines, , guidelines, etc) but there are opportunities to compliment these efforts with water-sector specific guidelines. <p>Proposals for advancing assessed projects (facilitators perspective)</p> <ul style="list-style-type: none">That the success of the Gaborone PPP thus far suggests greater opportunities to examine other rehabilitation / Re-purpose projects that focus on existing brownfield Metro Waste-water plants (Lobatse, Selebi-Phikwe, Serowe and Tonota)That the level of interest and number of relatively unexplored project opportunities would benefit from additional scrutiny and examination for potential specific to the basin. As such, there was interest in taking some of the nascent project ideas forward with the first step to utilise the screening tool and enhance the ideas and then to further develop these projects with capacity support and in conjunction with the PPP unit.		

3.5 South Africa Programme

The South African component of the assignment took a different trajectory than the capacity-focused workshops conducted in Botswana, Lesotho, and Namibia. Given South Africa's leadership in the field of Water-sector PPPs and that there basin coordination role was in transition, the team focused on a programme of high-level engagement to ascertain country priorities, challenges, and opportunities for Orasecom in the sector.

Engagements	<p>The following engagements were held to obtain an understanding of the South African context :</p> <ul style="list-style-type: none"> • NatureRES, Deutsche Gesellschaft für Internationale Zusammenarbeit • Senior Leadership – South Africa Department of Water Affairs • John R Samuel – Consultant lead to World Bank (SA Water sector)
Relevant recent trends and dynamics specific to South Africa	<p>The engagement process yielded the following pertinent details of relevance to the assignment :</p> <ul style="list-style-type: none"> • State of the country's water-related PPP sector. Some feedback from interviewees noted the following: <ul style="list-style-type: none"> ○ The existing legislative framework and capacity of professionals in the sector largely in place for the country but market typically experiences lengthy project development timelines ○ Current focus across the country is brownfield re-development and identifying opportunities to cut wastage. ○ Major concerns in the waste-water treatment sector – many municipalities need a complete overhaul of infrastructure but bankability (below the four major metropolitan areas) is questionable. • The Vaal's severe effluent issues. The German Federal Ministry for Economic Cooperation and Development (BMZ), Swiss State Secretariat for Economic Affairs (SECO) supports the NatuReS programme which facilitates partnerships between the public, private sector and civil society. This programme has a significant emphasis on water sector partnerships in South Africa. NaturRES stakeholders argue that there is currently a significant amount of synergy within the donor community on areas around water affairs and governance issues. However, there is growing concern that solving the Vaal's point source pollution problem will require technical heft and the identification of formal PPP opportunities could be part of the critical path in addressing these issues. Such a challenge also sits at the heart of transboundary impact. • Renewed focus on private sector participation. Leadership from the Department of Water and Sanitation have indicated that a key priority for the country is to reverse the current obversion to private sector participation in the sector. Given the state of pressure on the fiscus from many competing demands, private participation is welcome. Yet, they

	<p>note that there needs to be drivers of change and that, most notably, they suggest the following are spearheading such a change:</p> <ul style="list-style-type: none"> ○ Infrastructure South Africa (within the Presidency of South Africa) and it's Operation Vulindlela which has water infrastructure as a major priority ○ Development Bank of South Africa's effort to tackle water sector challenges in conjunction with the private sector.
Highlights of DBSA's Water Sector Programmes	<p>Development Bank of South Africa is driving a National Water and Sanitation Master Plan within which it aims to develop a set of programmes to specifically tackle the challenges of water in the country these programmes include a (1) Non-revenue water programme (2) Water Re-use programme and (3) a private sector participation programme.</p> <p>The programme's rationale includes the centralisation of expertise as the scope of individual projects is often too limited to deal with the complexities associated with infrastructure planning & delivery. Second, water infrastructure programmes enable the packaging of projects for financial scalability. Third, a programmatic approach allows different services / solutions to be deployed under one engagement in a standardised and transparent manner</p> <p>Of particular interest is the Water Reuse programme and the Private Sector Participation programme. The former is anticipated to raise water reuse projects to a new and stabilised asset class. The latter aims to deploy private sector skills (through bulk procurement) into challenged and poorly performing contexts simultaneously.</p> <p>These programmes have a heavy South African municipal focus, which limits their transboundary potential – but where effluent is a concern – downstream impacts could, by their nature, make such municipal projects transboundary.</p>
Some noted projects (with transboundary implication)	<p>The following were some suggested projects with trans-boundary implication.</p> <ul style="list-style-type: none"> • The Greater Mangaung Water Augmentation Project – Xhariep Pipeline a major surface water augmentation scheme, abstracting water from the Gariep Dam together with a bulk water pipeline (and/or other conveyance system) delivering it to an optimal location for the Mangaung area (linked to Lesotho highlands). • A lower Orange dam project (impacting Namibia). • The Limpopo Zimbabwe Water Project is a complex project where off-take from Zimbabwe water sources is expected to be utilised by industrial sector actors (special economic zone tenants and a coal fired power plant) in South Africa- this project aims at pioneering a institutional model for cross-boundary projects that also involve private sector participation. These models could see deployment in the Orange-Sengu basin

4. Phase 2 Reflections and Findings

Some initial findings from engagements and capacity development activities conducted thus far for the assignment.

Reflections and Findings	
Common Concept and Definitional Challenges	<p>In conducting the capacity building workshops the team noted that – at least with regard to the water sector professionals assembled – there were often definitional mis-understandings and sector mis-conceptions. These included the following:</p> <ul style="list-style-type: none"> • Understanding the difference between “private sector participation” and formal contractual nature of PPPs. • Understanding how the private sector focuses on commercial issues with regard to the project. • A mis-conception that PPPs are only for extremely capital intensive projects and there is no opportunities for smaller-scale projects.
Opportunities overlooked	<p>Participants in the workshop noted that, with their deepened understanding of the PPP project modality, they could re-look at projects because:</p> <ul style="list-style-type: none"> • A number of projects were deemed to “too expensive” because it was assumed the public sector should shoulder the entire capital expenditure burden because the project jumped over commercial analysis and straight into technical design • A number of projects have simply been assumed “for the private sector” in their entirety because they have a high capital requirement and when they do not have any immediate market interest – then the project is scrapped. However, it is often how and when the market is engaged that makes the project useful. Thus, there is an opportunity to revisit many scrapped projects. • Perception across the countries is that PPPs were the purview of the highest echelons of government planning and, thus, local contracting authorities did not largely initiate projects. The discussions with participants suggested they were inspired that projects could originate and go through the concept development process at the local and provincial level.
PPP Unit Engagement	<p>Over the process of workshops, the team noticed that there was significant interest in PPP opportunities and the national government had sent signals of interest. However, it was often the comment that the dept of engagement with the PPP unit had not taken place (at least with respect to participants of the workshops). The feedback is that the PPP units are interested in engagement but relatively spread thin.</p>
Linking with the DBSA facility	<p>The DBSA facility currently has a primary focus on South African municipal water issues but, potentially, linkages with this facility could be established and expanded upon explicitly with a trans-boundary perspective. It has been noted in the literature that the Water source stress on natural systems and Wastewater</p>

	pollution are primary concerns for the basin in particular. These two issues are directly related to concerns that originate in the South African water system and most specifically from municipal sources. This facility aims to address such concern and thus there is a potential transboundary perspective that could be developed.
--	--

5. Recommendations and Way Forward

Some initial recommendations developed from engagements and capacity development activities conducted thus far for the assignment.

5.1 Potential next steps in capacity building activities

Repeatedly, the workshop participants vocalised a desire to see additional capacity development specific to the water sector and PPPs for the following reasons:

- The belief that PPP units should work more with stakeholders in the water sector
- The concern that PPP units have only limited space and many priorities

Some suggested actions steps of such further capacity development work include:

1. Encourage pro-active work done by local teams for a period of time in assembling a set of projects (some of which have been identified in the workshops) and use the PPP suitability tool to make self- assessment. Where the local teams encounter challenges they can request support from Orasecom to make itself available and provide support.
2. Orasecom should liaise with each country's PPP centre to further develop concept notes and ensure alignment with their project development guidelines.
3. Orasecom could organise a capacity building engagement with the PPP unit that focuses on the WHOLE PPP transaction cycle.
4. **Note:** There could be a role to place with Orasecom offering a "help desk function" throughout this process – which could serve two purposes:
 - a. Provides on call support in a region where PPP skills (particularly in the Water sector is limited)
 - b. Provides a pipeline of projects that could be further supported by the national PPP unit and/ or DBSA Water partnerships facility

5.2 Opportunity to support the PPP water sector region-wide

There is clear and demonstrable interest from South Africa on a renewed engagement with the private sector to tackle critical issues in the country's water sector. This participation is likely to result in PPP projects and a proliferation of lessons learnt, which will likely be institutionalised at the DBSA's water partnership programme.

It is recommended that Orasecom utilises its Southern Africa reach as an entry point for this programme to partner and drive a basin-wide water re-use and pollution control programme through DBSA. In the

capacity building workshops a number of the projects were oriented to wastewater treatment and re-use (focusing on reducing water stress and reducing pollution). Identifying ways to leverage or expand upon the existing DBSA skill set would be a strong potential area of leadership. Some suggested action steps would include:

1. Work with the programme to identify hotspots with tangible transboundary implications
2. Work to crowd in resources or skills to tackle these locations as a priority

5.3 Advancing projects identified in the assessment

Referring back to the suggestions of each country, there are some actionable items specific to projects raised by the local stakeholders. These include:

1. Mohokare Water Quality Monitoring (Lesotho) project holds potential (moreover, it is potentially replicable and scalable to other locations); however, it would require clear concept development, paying particular consideration to the project's commercial concerns.
2. The Katima Liselo Green Scheme (Namibia) would need more work done to establish the commercial case before further developing into a PPP project; however, the project holds promise.
3. Namibia-In both irrigation and wastewater treatment projects there appears to have been substantial work developed and interest- further identifying such project opportunities aligned to the Orange-Senqu basin would be low hanging fruit.
4. That the success of the Gaborone PPP thus far suggests greater opportunities to examine other rehabilitation / Re-purpose projects that focus on existing brownfield Metro Waste-water plants in Botswana (Lobatse, Selebi-Phikwe, Serowe and Tonota)

6. Appendix 1: Initial phases Interview List

Organisation	Date
The Nature Conservancy	17 December 2021
Infrastructure Investment Programme South Africa	13 December 2021
GIZ – NatureRes Programme	6 December 2021
Okacom	6 December 2021
African Development Bank (AfDB)	9 December 2021
Sasol	11 December 2021
World Wildlife Fund	9 December 2021
7th Annual Water Stewardship Conference (attendance)	24 November
Vaal Water Stewardship Network Working Group (attendance)	2 December 2021

7. Appendix 2: Attendance Registers

7.1 Lesotho Register

7.2 Namibia Register



ATTENDANCE REGISTER
NATIONAL WORKSHOP ON PUBLIC PRIVATE PARTNERSHIP (PPP) SCHEMES UNDER THE
AUSPICES OF ORASECOM
11 JULY TO 12 JULY 2022
09H00 TO 17H00



Name	Organisation and Position	Gender	Email	Signature 11 July 2022	Signature 12 July 2022
Hadley Sc Unib	MANUR - Ro Ace communications intern	Male	hadley.unib@gmail.com		
Lusina Kalipi	ORASECOM	Female	kalipi.lu@orange.com		
Petronella Buys	MANUR - DWSG	Female	petronella.buys@manur.gov.na		
Matthew Hambokedi	MANUR - DWSG	Male	Matthew.Hambokedi@manur.gov.na		
Michel Leushuis	Rebel	Male	michel.leushuis@rebelgroup.com		



ATTENDANCE REGISTER
NATIONAL WORKSHOP ON PUBLIC PRIVATE PARTNERSHIP (PPP) SCHEMES UNDER THE
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11 JULY TO 12 JULY 2022
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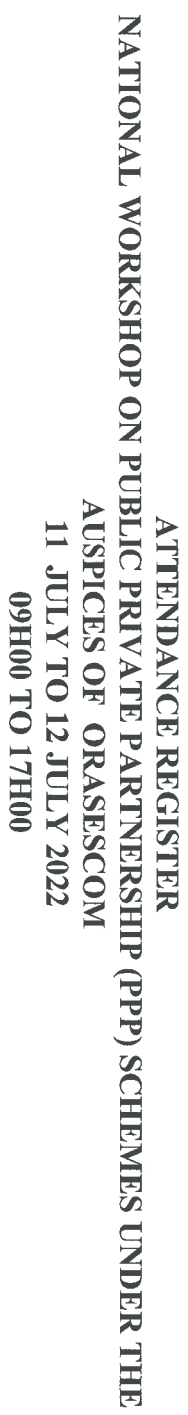
Name	Organisation and Position	Gender	Email	Signature 11 July 2022	Signature 12 July 2022
Nduna Nshipili	MAULR	Female	nduna.nshipili@maulr.gov.na		-
Maula Lutaka	MAULR-PMU	Male	Maula.Lutaka@maulr.gov.na		
Vivane Kingaga	ORASECOM	Female	vivane.kingaga@orasecom.org		
Christian Gash	Rebel	Male	CHRISTIAN.GASH@REBELCARE.COM		
Reino Kambara	MAULR-Engineer	Male	reino.kambara@maulr.gov.na		-



ATTENDANCE REGISTER
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Name	Organisation and Position	Gender	Email	Signature 11 July 2022	Signature 12 July 2022
Gift Mushi	MALIK - Engineer	Male	gremushi@yahoo.co.za		-
Timothy Sizombela	NTAMWATE -	Male	Sizombela.T@ntamwate.com	-	
Chris Gable	Rebel	Male	CHRISTIAN.GABLE@REBELREV.COM		

[illegible]

7.3 Botswana Register

8. Appendix 3: Training Programme Presentation

Public Private Partnership Skills and Project Pipeline Workshop

Country Programme

July 2022



Agenda

Day 1

- 09:00 – 09:20 Registration/ Tea & Coffee
- 09:20 – 09:30 Welcome and Introductions
- 09:30 – 10:30 Introduction to PPP in water sector
- 10:30 – 11:00 Break
- 11:00 – 12:30 PPP suitability assessment and tool
- 12:30 – 13:30 Lunch
- 13:30 – 14:00 Presentation of longlist of projects
- 14:00 – 16:00 Applying PPP suitability tool to project longlist
(incl. tea break)



Agenda

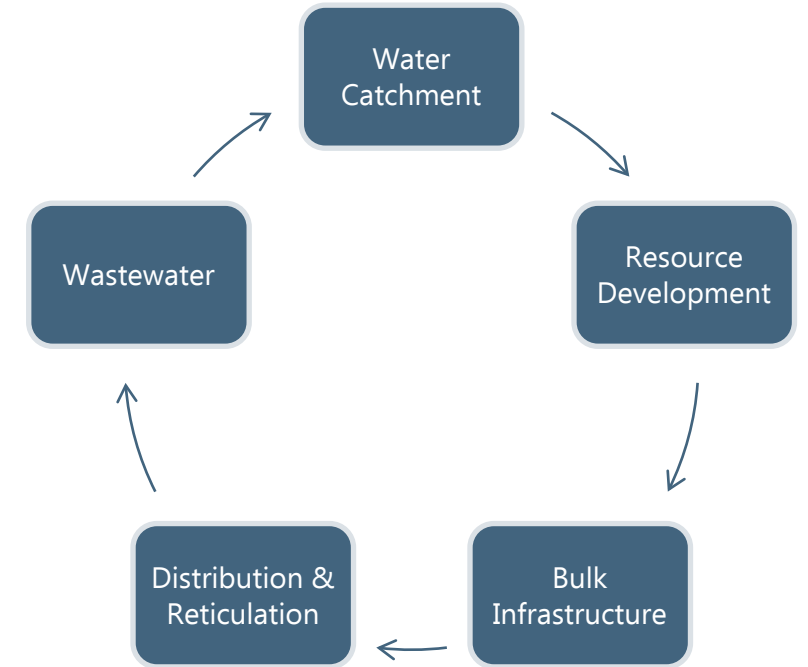
Day 2

- 09:00 – 09:30 Welcome / Tea & Coffee
- 09:30 – 10:30 Reflections on previous day and highlights
- 10:30 – 11:15 Concluding notes / Action Items



Introduction and Explanation

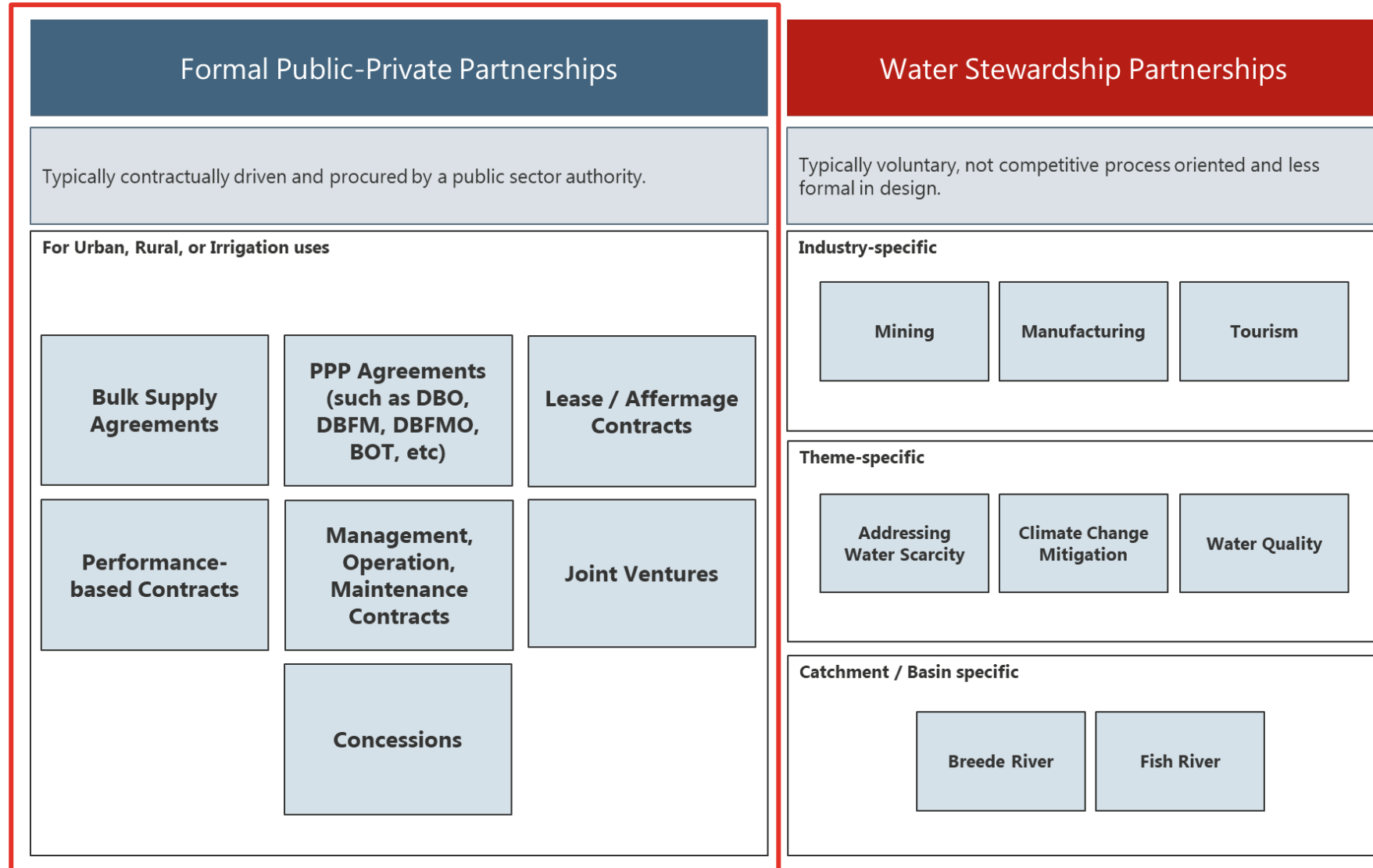
- For the purposes of this workshop we are focusing on the whole spectrum of infrastructure in the water sector.
- The diagramme to the right shows what kind of projects we are looking for – and the categories within the water “value chain.”



<i>Category</i>	Water Catchment	Resource Development	Bulk Infrastructure	Distribution & Reticulation	Wastewater and Recycling
<i>Example projects</i>	<ul style="list-style-type: none"> Watershed management services programme 	<ul style="list-style-type: none"> Desalination Bulk water transfer Sea water utilisation 	<ul style="list-style-type: none"> Water treatment works Bulk pipelines 	<ul style="list-style-type: none"> Connector and internal networks Irrigation works 	<ul style="list-style-type: none"> Wastewater treatment works

PPP vs. Water stewardship partnership

There are many ways that stakeholders (both public and private) can come together around water projects- today we are focusing on a specific set of arrangements that adhere to the definition of **“formal Public-Private Partnerships”**





1

Introduction to PPP in water sector



Discuss advantages or disadvantages

Advantages

- Bridge the funding gap?
- Make previously unviable projects viable

Disadvantages

- Expensive?
- Increase cost to users
- Lose 'ownership' or 'control' to corporations

IS ANY OF THIS TRUE?



PPP concepts and definitions



PPP concepts and definitions

PPPs refer to arrangements under which the private sector supplies infrastructure assets and infrastructure-based services that traditionally have been provided by the government

**IMF: PPPs,
Government
Guarantees and
Fiscal Risks**



An arrangement between two or more entities that enables them to work cooperatively towards shared or compatible objectives and in which there is some degree of shared authority and responsibility, joint investment of resources, shared risk taking and mutual benefit

**United Kingdom
HM Treasury, 1998**



Lesotho's definition.....2017

A PPP is defined as a contractual arrangement between a Procurement Unit and Private Partner whereby the private investor and/or operator designs, finances, constructs, operates, maintains and/or rehabilitates a public asset or service in whole or in part and in accordance with pre- defined output specifications on behalf of the Procuring Unit.

A PPP is a long-term contract between the public and private sectors where government pays the private sector to deliver infrastructure and related services on behalf, or in support, of government's broader service responsibilities.

**Australia: National
Public Private
Partnership Policy
and Guidelines
2008**



PPP is a contract between a government institution and a private party where the latter performs an institutional function and/or uses state property, and where substantial project risks are passed to the third party.

South Africa



PPP concepts and definitions

A partnership is an arrangement between two or more parties who have agreed to work cooperatively toward shared and/or compatible objectives and in which there is shared authority and responsibility; joint investment of resources; shared liability or risk-taking; and ideally, mutual benefits



European Commission, 2003

Public Private Partnership (PPP) Project means a project based on a contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges.

PPP in India



PPPs broadly refer to long-term, contractual partnerships between the public and private sector agencies, specifically targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the public sector



Asian Development Bank, 2006

A 'partnership' style approach to the provision of infrastructure as opposed to an arm's length 'supplier' relationship. PPP involves a sharing of risk, responsibility and reward, and is undertaken in those circumstances when there is value for money benefit to the taxpayers

The World Bank, 2003



PPP concepts and definitions

What

- ▶ Summarizing, PPP are:
 - ▶ .. arrangements ..
 - ▶ .. partnerships ..
 - ▶ .. contracts ..
 - ▶ .. projects based on contract .. *and / or*
 - ▶ .. **long-term**

Who

- ▶ Undertaken by/between:
 - ▶ .. private sector ..
 - ▶ .. two or more entities ..
 - ▶ .. public and private sectors ..
 - ▶ .. between government institution and private party .. *and / or*
 - ▶ .. government or statutory entity and company ..

PPP concepts and definitions

How

- In which:
 - .. there is some degree of shared authority and responsibility, joint investment of resources, shared risk taking and mutual benefit ..
 - .. government pays the private sector ..
 - .. there is payment of user services..
 - .. substantial **project risks are passed to the third party** ..
 - .. both sides have shared/compatible objectives .. *and / or*
 - .. partners work cooperatively ..



PPP concepts and definitions

Why

- PPP is meant ..
 - .. to deliver an infrastructure **service** ..
 - .. to be undertaken in those circumstances when there is **value for money** benefit to the taxpayers
 - .. supply infrastructure assets and infrastructure-based services that traditionally have been provided by the government ..
 - .. to enable the partners to work cooperatively towards shared or compatible objectives ..
 - .. to deliver infrastructure and related services on behalf, or in support, of government's broader service responsibilities .. and/or
 - .. to arrange for private party performance of an institutional function and/or use of state property..

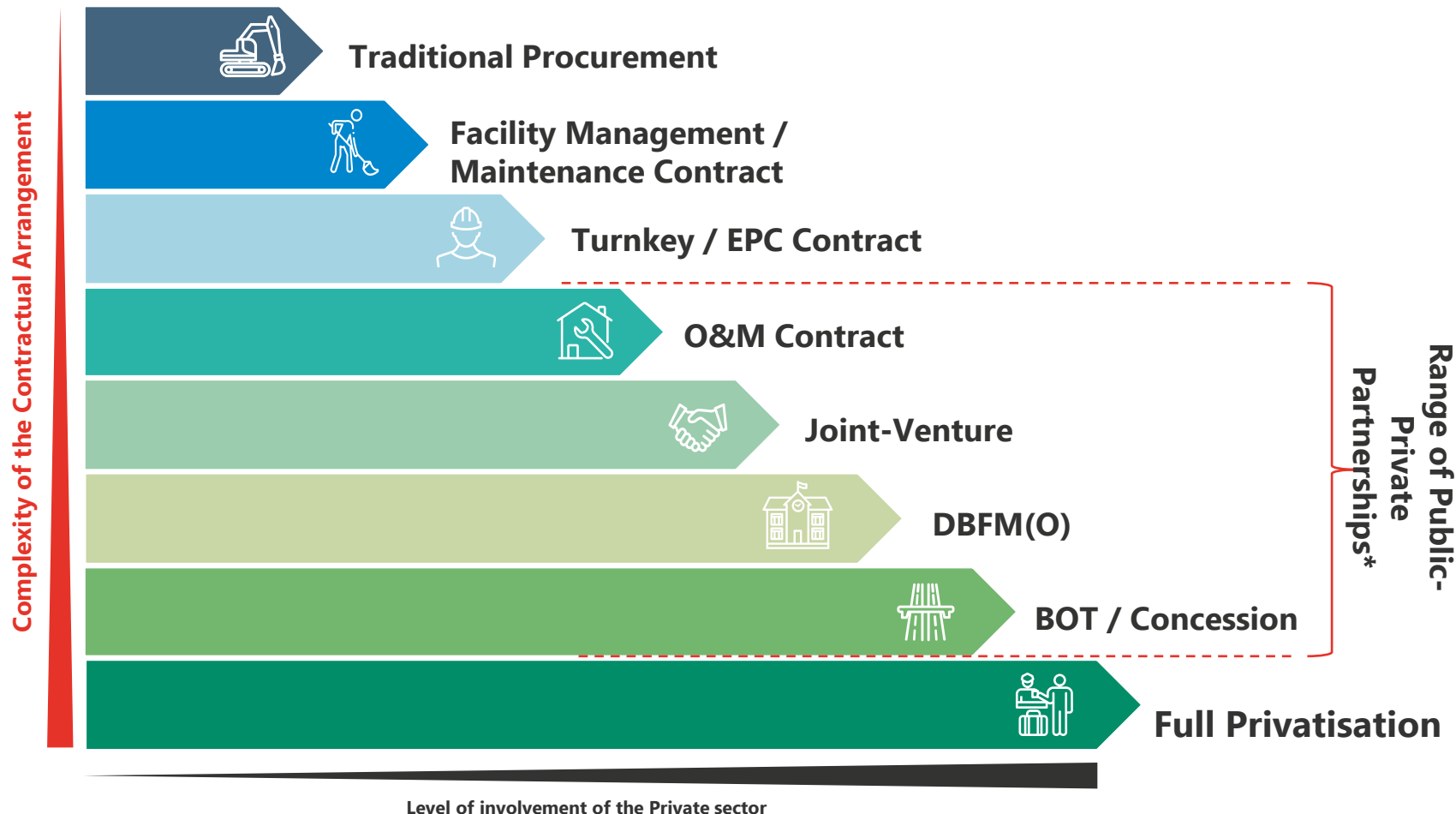


PPP concepts and definitions

- Working definition of the concept of Public-Private Partnerships :
 - The joint realization of a **public interest project**;
 - By aligning public interests and private sector incentives;
 - By allocating or sharing **tasks** and **risks**;
 - ... in a long-term **joint venture** or through a **PPP agreement**;
 - Whereby the private sector shoulders the initial capital investments and operational outlays through private financing;
 - Either with or without a public financial contribution.

PPPs refer to a range of private sector participation models

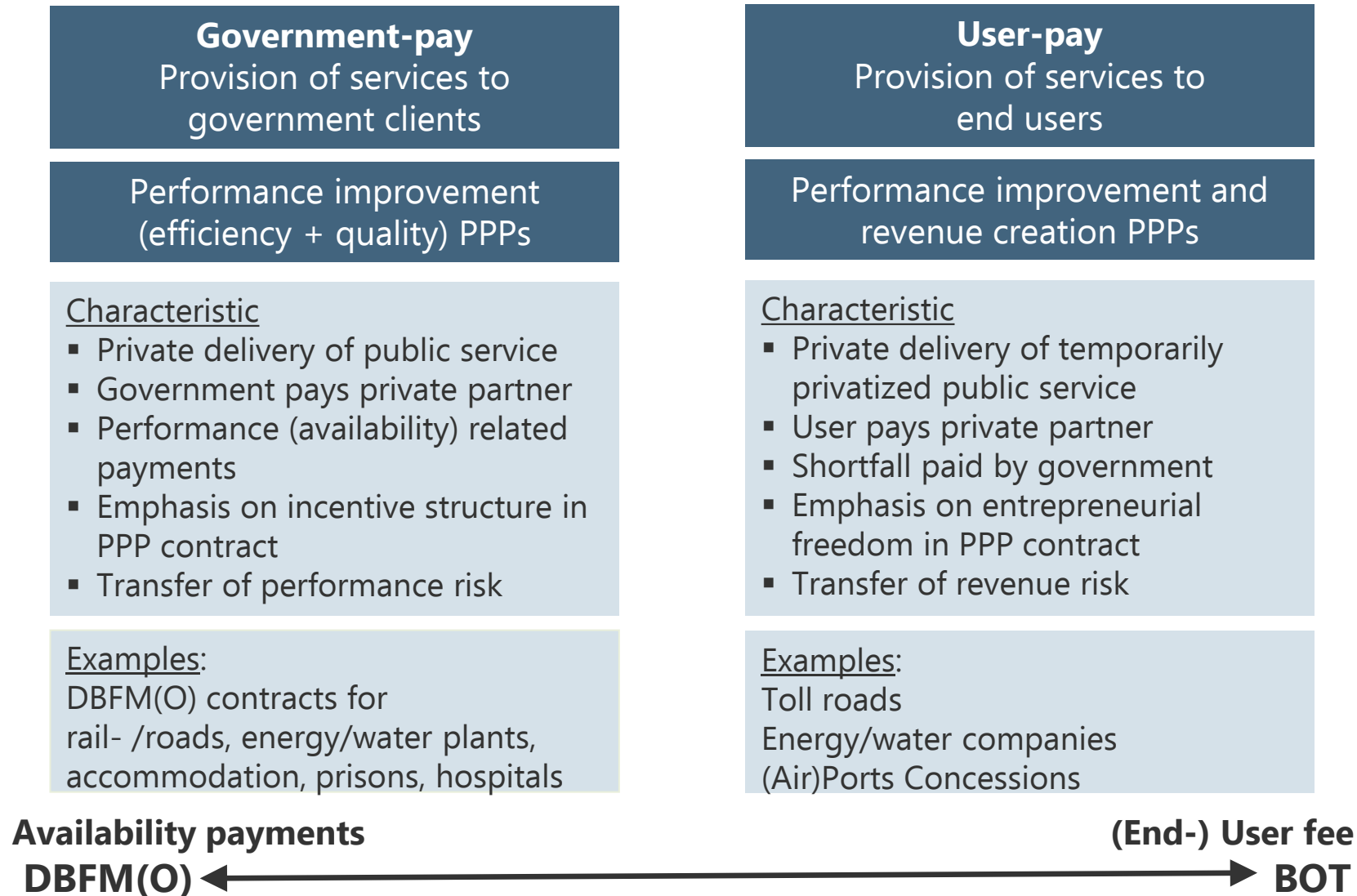
PPP is a form of procurement before being an alternative financing model



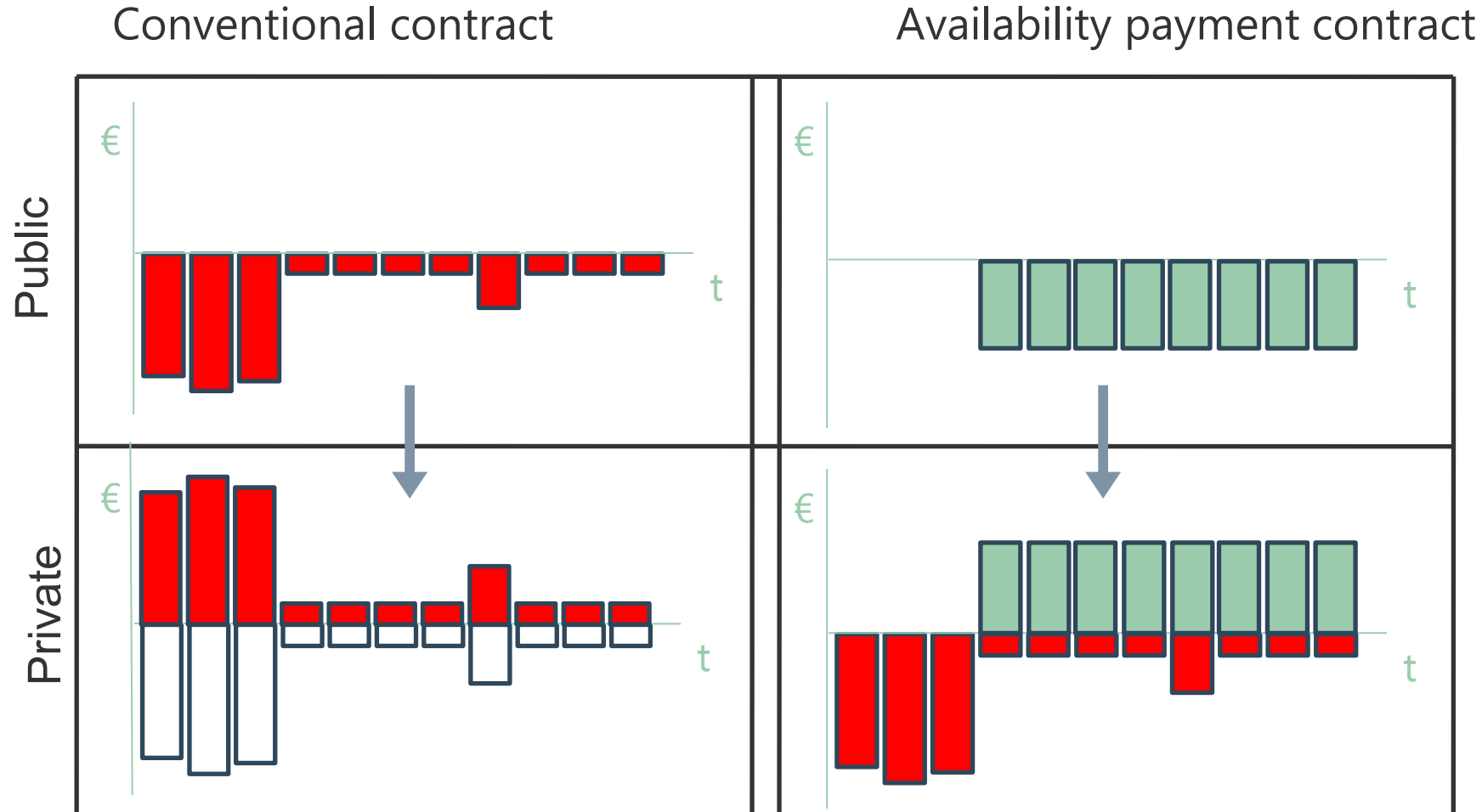
* Note : derived from the World Bank's generic PPP classification



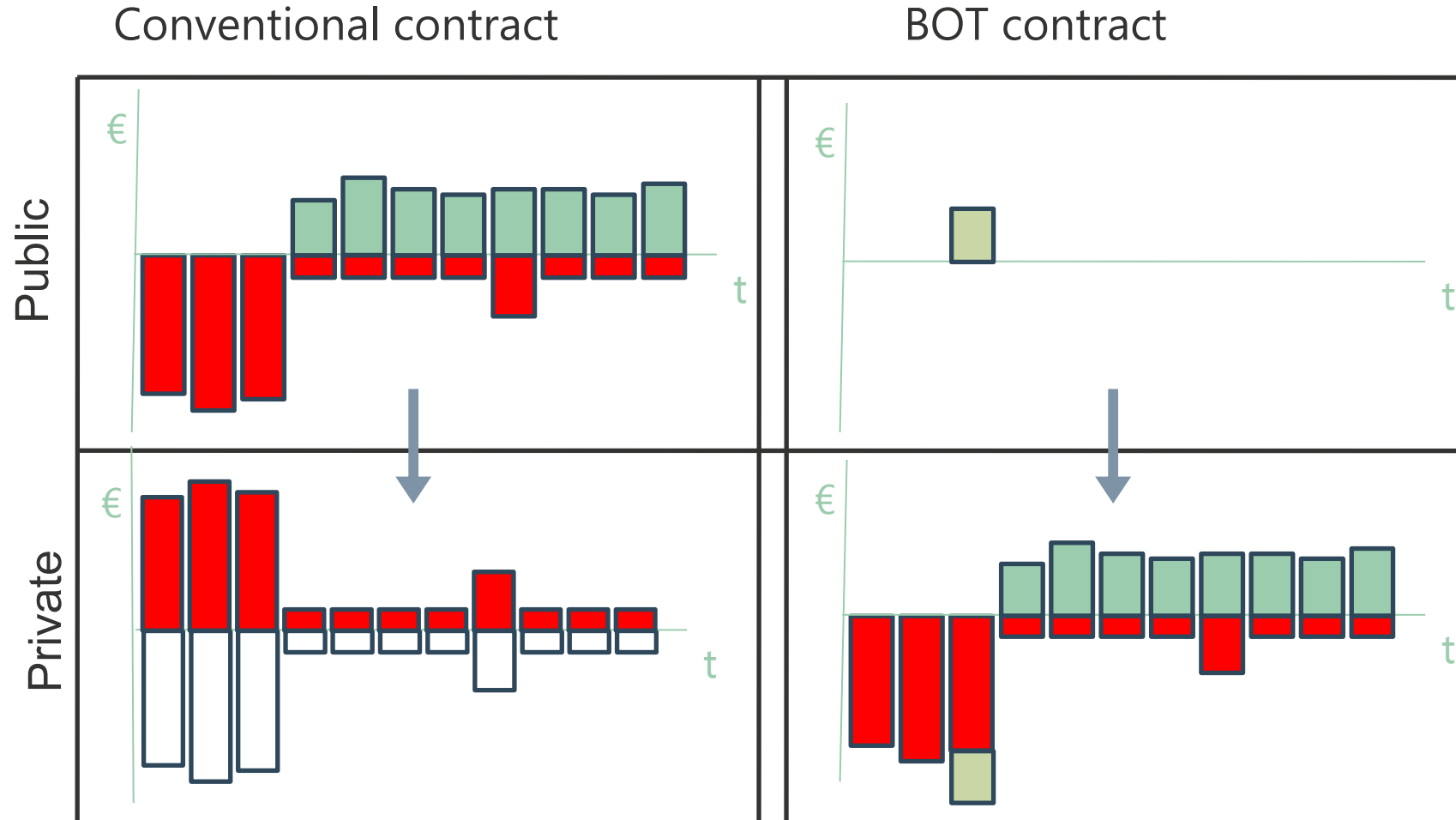
Models of contractual PPPs



Cash flows in availability payment contract



Cash flows in BOT contract



Why undertake PPP?

To obtain value for money, by tapping in on the private sector's:

- **Comparative advantage:** its technical expertise and business process management skills will allow it to operate effectively and efficiently - thus saving costs and reducing risks!
- **Entrepreneurship:** to exploit the commercial potential of the project at hand - thus maximizing its intrinsic value!

**Value for money = reaching a higher quality level at the same price or obtaining the same quality level for less money, i.e. the price-to-quality ratio of the delivery of a service*



Why undertake PPP?

- **Entrepreneurship:** to exploit the commercial potential of the project at hand - *thus maximizing its intrinsic value!*
- **Case study: Auto-financing Metro Manila's ticketing system (Philippines):**
 - The PPP structure was designed whereby the private proponent would be responsible for the design, building, financing, maintenance and operation of the Automated Fare Collection System (AFCS) for a period of 10 years...
 - Additionally, he would get the right to develop other applications on the back of the transport smartcards, with an exclusivity period of 5 years...
 - It turned out that the **value** of such auxiliary services for the private proponent **outweighed the costs** of installing and operating the system...
 - ...So that the private partner is actually paying the transport authority rather than the other way around



Photo source: PPP Center of the Philippines

Why undertake PPP?

To utilize the private sector's capital investment potential, which will:

- Allow the private sector to **attract private financing** for the initial capital investments and operational outlays, and thus relieve the government's immediate fiscal burden as it spreads the government contribution over time (through, for example, annual availability payments to private partner) - spreading the fiscal burden!

Why undertake PPP?

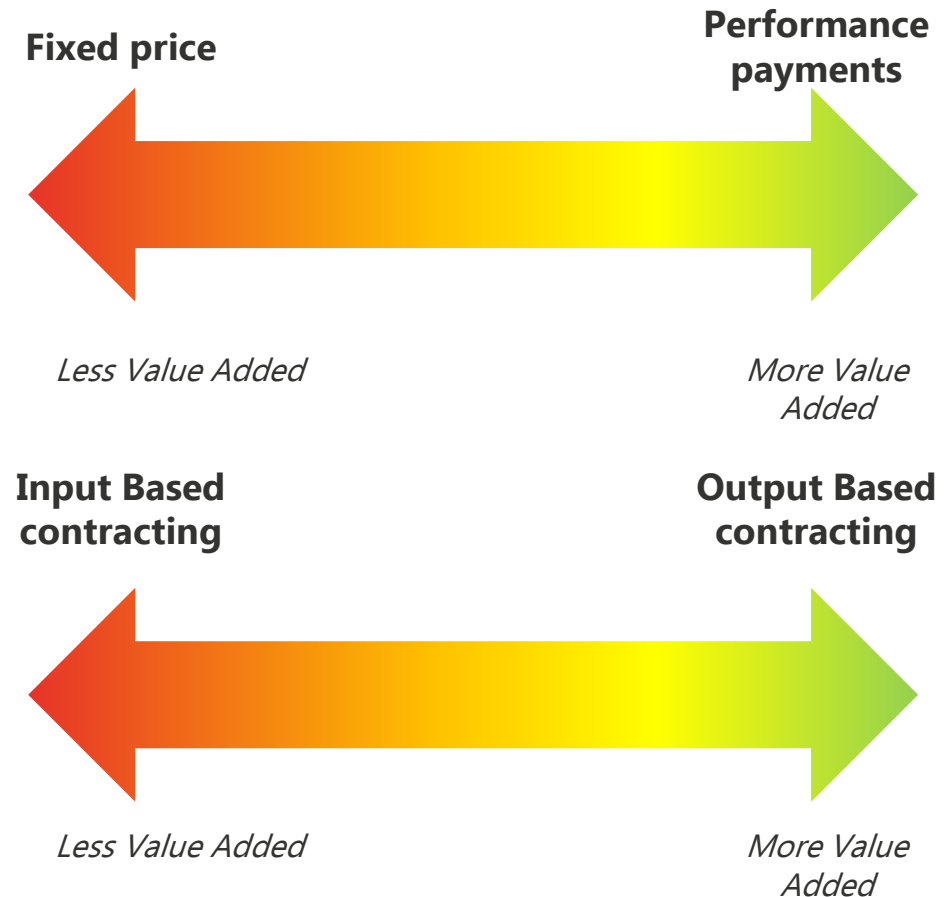
To save money by:

- Proper scoping of the project - **lifecycle approach** to asset management
- **Optimising risk allocation**
- Taking advantage of "**competition**"



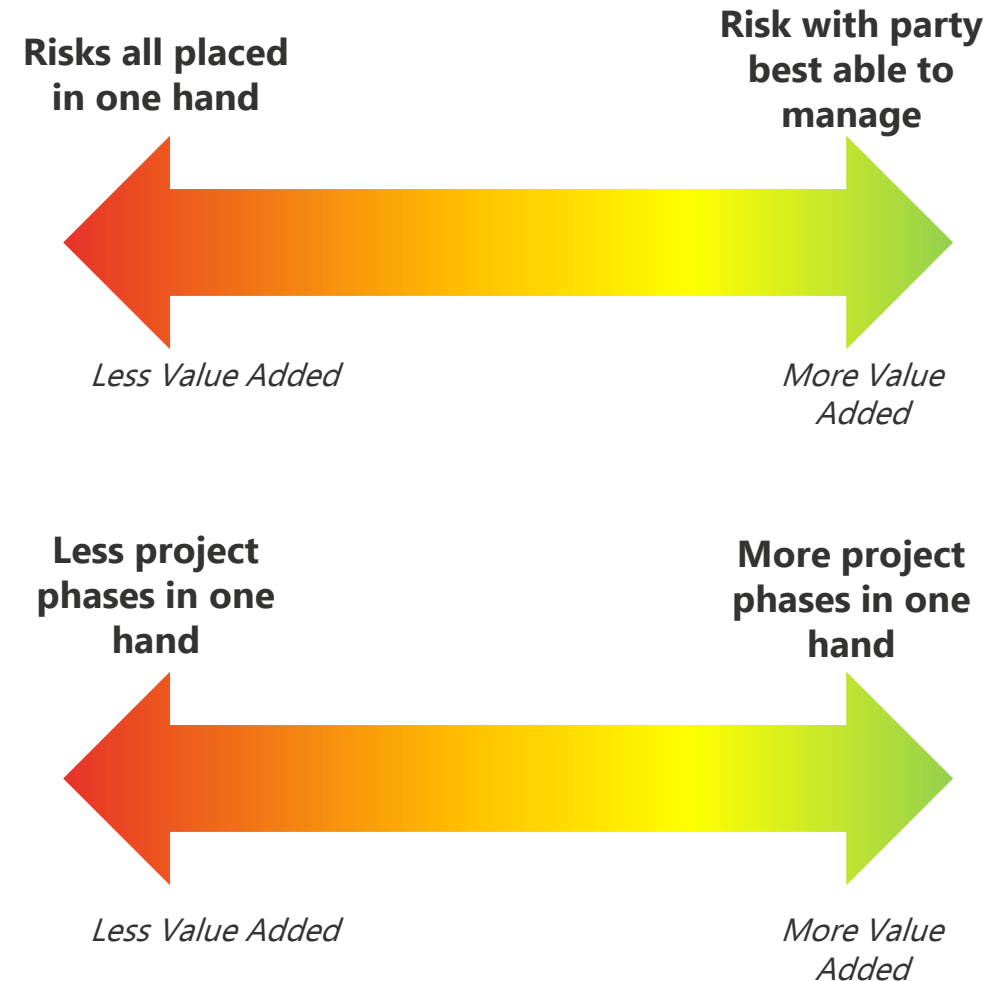
Value drivers in PPPs

- ▶ **Performance-based payment mechanism**
The private sector can be best incentivized. Above-par performance should improve the private sector's profits directly (through higher revenue) or indirectly (through lower operating costs). Sub-par performance should trigger penalties, which will suppress the private sector's financial performance. Such penalties should be set to tickle, then hurt, but not kill a private operator.
- ▶ **Output specifications**
Output-based contracting leaves room for the private sector to decide how to deliver the envisaged services. This will (i) provide the government value for money (as it has the opportunity to award the contract to the offer that creates the biggest value); and (ii) allow the private sector firm to maximize its profits (subject to its compliance with the output specifications). In essence, output contracting allows the government to tap into the private sector's creativity to deliver the agreed public service at lower costs, or to provide better quality at the same cost.



Value drivers in PPPs

- ▶ **Intelligent risk allocation**
The private sector is well placed, given its technical know-how, business process and management skills, to take responsibility for the delivery of a public service (i.e. take on the operating risks). The private sector is, however, not willing to take all of the risks: it will not take on sovereign risks, force majeure, and sometimes not even revenue (demand) risks. These are than best left to the government. Intelligent risk allocation, which is based on the principle that the party best able to manage these risks should indeed bear them, reduces costs and increases value-for-money.
- ▶ **Lifecycle optimization**
Integrating different components and phases of public service delivery allows to minimize the interface problems, selection of material to optimise maintenance and thus create a better price to quality ratio. For example, the chances that operation and maintenance costs are kept in check are larger when one and the same firm is responsible for both the construction and operations during the operational phase.



Value drivers in PPPs

▶ **Private financing**

Although perhaps not always necessary from a financing point of view, private finance remains attractive to transfer some of the project monitoring to the private financiers. The latter are generally better placed to monitor the financial performance of the project than the public-sector entity. This will help avoid defaults by the private operator due to financial problems.

▶ **Competition/ functioning market**

The benefits of PPP will only materialize if there are an adequate number of private sector entities which are able, and willing, to provide the envisaged public service. The reason is that this creates a competitive environment for tendering the public service. This should provide the public sector greater value-for-money

Public financing

Private financing



Less Value Added

More Value Added

Less competition and operators

More competition and operators









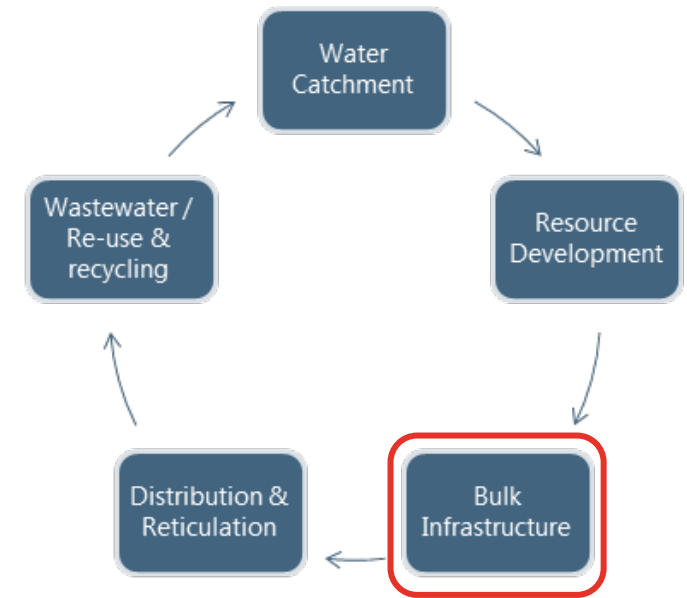
Less Value Added

More Value Added

Case study: Kigali Bulk Water







First bulk water PPP in sub-Saharan Africa

-  Challenge: only 30% of Kigali's households have access to main water network
-  Project required USD 60.8 million in investment (shared between EAIF, AfDB and Metito (the private partner))
-  Build, Operate and Transfer (BOT) basis:
 - the private partner (Kigali Water Limited) will design, build, maintain and operate the treatment plant and sell potable water to the Water & Sanitation Corporation of Rwanda (WASAC) under a 27-year PPP agreement
-  40 million MLD (1/3rd of Kigali's bulk water supply)
-  Serving 500,000 people (50% of population of Kigali)
-  Result: public health and economic development benefits + significant reduction in water rationing in the city



Case study: eThekweni Wastewater PPP

Wastewater reclamation project to reuse municipal wastewater for industrial purposes

-  Challenge: sewage and wastewater and sanitation infrastructure network capacity constraint that could not cope with a growing population, and the existing infrastructure at the treatment plant needed to be upgraded
-  Veolia was chosen to finance, design, construct and operate the tertiary wastewater treatment plant at Southern Wastewater Treatment Works (SWTW) under a 20-year concession contract
-  The added revenue from sales of treated wastewater covers nearly all SWTW's operation and maintenance expenses
-  Freeing up 47,000 cubic meters of potable water
-  Sufficient drinking water supplies for approximately 300,000 people in the municipality
-  Approximately 98% of the water entering Durban's SWTW plant is recycled. By recycling wastewater for industrial use, the municipality has been able to reduce the demand on potable water sources, thereby allowing for the allocation of more water resources for potable consumption





2

PPP suitability assessment



Project suitability for PPP

- The process of preparing an effective PPP project can be complex and costly (transaction costs comprise typically 5-15% of the project cost)
- Before committing resources to it...

IS THE PROJECT SUITABLE FOR BEING IMPLEMENTED AS A PPP?

- PPP suitability assessment would determine which projects should be developed as PPPs and included in the potential PPP project list for consideration

When does PPP suitability assessment come into play?

➤ The two key decision points in a rational infrastructure project lifecycle:

➤ Project decision: **Is the project a 'good' project?**

Deciding on project go-ahead based on the desirability of the project vis-à-vis public investment planning, overall government policies, budgeting, etc.

➤ Delivery optimization: **How to make the project 'better'?**

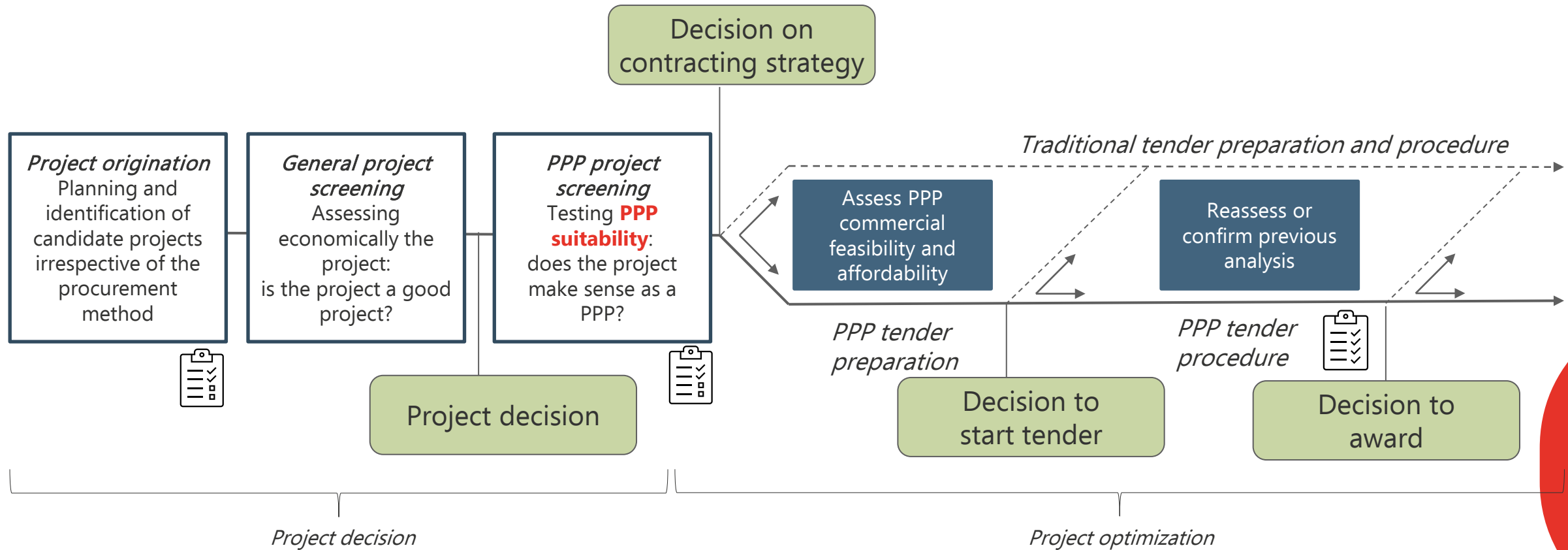
If the need for a project and its preliminary feasibility are established, the decision on the contracting form becomes relevant

Getting the best value out of the project: deliver it through traditional procurement? PPP? User- or government pay? Hybrid combinations?

Project delivery through PPP cannot turn a bad project into a good project. It can make good projects better.

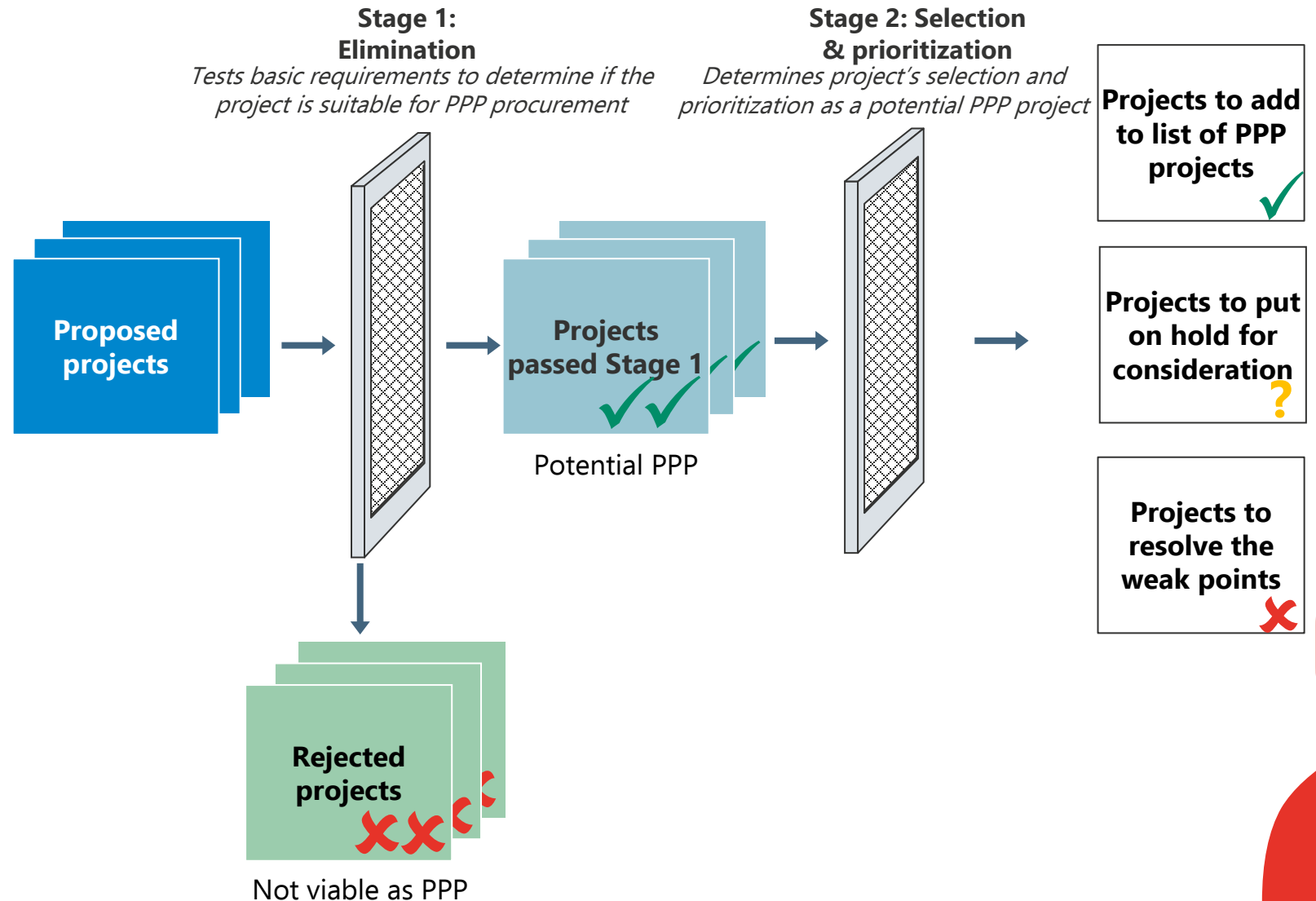
When does PPP suitability assessment come into play?

Project development cycle



Two-stage PPP suitability assessment tool

- A widely used procedure adopted globally for identifying, selecting and prioritizing projects, prior to detailed project preparation and/or transaction services activities



Two-stage PPP suitability tool

Stage 1: Elimination stage

- Identification of potential PPP Projects through a Pass/Fail criteria analysis
- Tests basic requirements necessary for a project to determine if it is suitable for PPP procurement
- The objective is to eliminate projects from selection and further assessment in Stage 2, if the basic requirements are not met.
- Only projects that meet **all** of the threshold criteria in Stage 1 shall **Pass** and can proceed to Stage 2 of the PPP suitability assessment.

Stage 1 outcome – **Pass** → proceed to Stage 2
Fail → not viable as PPP



Two-stage PPP suitability tool

Stage 1: Elimination stage

➤ Mandatory criteria:

- The Project is aligned to the strategic priorities on investment in the sector ✓✗
- The Project complies with the legal and regulatory framework under which it can be procured and implemented ✓✗
- The project falls under the legal mandate of the procuring agency ✓✗

Stage 1 outcome – **Pass** → proceed to Stage 2

Fail → not viable as PPP



Two-stage PPP suitability tool

Stage 2: Selection stage

- Passed the Stage 1, the projects are evaluated over the three main criteria:
 - **Government readiness** –
 1. the procuring agency has the ability, capacity, resources, engagement and willingness to procure the project as PPP
 2. the project is within the budget limits and is affordable to the procuring agency
 - **Project readiness** - the project makes sense to be implemented as a PPP, taking into consideration the complexity, costs and level of feasibility required for an effective PPP project
 - **Market readiness** – there is market interest and capacity to undertake the project which will happen only if the project has the right underlying conditions for market interest

Stage 2 outcome – **High score** → add to the list of PPP projects

Medium score → put on hold for further consideration

Below minimum score → focus on fixing the weak points



Two-stage PPP suitability tool

Stage 2: Selection stage

- Each criteria category is scored according to a point scale
- Projects that score a minimum of number of points (e.g. 60%) can proceed for further screening and be included in the PPP pipeline

Stage 2 outcome – **High score** → add to the list of PPP projects


Medium score → put on hold for further consideration

Below minimum score → focus on fixing the weak points



How to use the two-stage PPP suitability tool

Stage 1: Elimination stage

- The questions are to be answered by the procuring agency and based on the current status of project development
- Fill out the project information in the corresponding tab and project name and date
- Respond to each question under "Select the response" (yes / no)
- In order to proceed to screening, the project needs to score **yes** on all the questions
- For example: 

Step 2: [Pre-screening] Mandatory questions

Objective These criteria demonstrate that project's objectives are aligned with national strategic interests, consistent with sector development plans, uphold public interest and a project is an effective use of public funds.

Instructions

1. The questions are to be answered by the procuring agency within the line ministry (a party potentially signing the contract on the public side).
2. The questions are based on the current status of project development.
3. Responses require high-level information to answer them and logical thinking through the questions.
4. Please, fill out the project information in the corresponding tab and project name and date below.
5. Please, respond to each question under "Select the response".
6. Scores will be calculated automatically and reflected on the dashboard.
7. In order to proceed to screening, the project needs to score **yes** on all the questions.


Response and corresponding decision

yes **pass**
no **fail, requires further due diligence**

Project Name/Title: Date of Submission:		[Insert Date]			
Question to determine the mandatory conditions	Rationale for the question (why the question is necessary)	Example of supporting evidence assisting in answering questions	Please, select the response for each question	Decision	Please, list the source information consulted and respond to the question
Does the project fall under the legal mandate of the procuring agency under public investment and interest?	The purpose of the project under assessment should be to develop or deliver public infrastructure or service that meets the criteria of public investment and upholds the public interest. In order for procuring agency to be able to develop and implement a project, it must correspond to the agency's legal premises.	Legal mandate of the procuring agency (agency, signing the project contract) with highlighted relevance clause.	yes	Pass, proceed to question below.	
Is the project included in the regional/sector development and/or master plan?	A project needs to be in line with each line ministry's section/regional master plan for a pre-defined period and promote the development objectives of the public entity. Such project is more likely to receive government commitment.	Regional/sector development and/or master plan with highlighted relevant project.	yes	Pass, proceed to question below.	
Does the prevailing legal framework allow private sector participation in such public investment and interest project?	A project has to uphold public interest and be eligible for public investment to be procured. The current legal framework includes a list of sector and objects of national importance that cannot be procured by the private party. Therefore, this question checks whether these factors are met for a project to be selected for the master PPP pipeline, or traditional procurement is more appropriate.	Applicable laws and regulations governing implementation of a particular project.	yes	Pass, proceed to question below.	
Procuring agency to add pertinent sector specific questions	Procuring agencies should add additional questions which are mandatory (not more than one or two), pertinent to their sector specifics to ensure full scope of high-level analysis. For example, threshold of project cost, such as under \$10 million, minimum level of expense to prepare a project. Project preparation costs as a PPP will be generally 5-15% of project cost. If the capex is too small, e.g. less than \$10 million, then the project preparation costs will not be justified.	Provide description of what evidence procurement agencies have to include to support the response to these questions (project cost, invariable expense statement, etc.).	yes	Pass, include the project in the master PPP pipeline.	

How to use the two-stage PPP suitability tool

Stage 2: Selection stage

- ▶ 3 tabs correspond to the 3 main criteria:
 - ▶ Government readiness
 - ▶ Project readiness
 - ▶ Market readiness
- ▶ The questions are to be answered by the procuring agency and based on the current status of project development
- ▶ Fill out the project information in the corresponding tab and project name and date
- ▶ Respond to each question under "Select the response" (yes / partial yes / uncertain / no / N/A)
- ▶ Each answer is assigned a corresponding score
- ▶ Scores will be calculated automatically and reflected on the dashboard
- ▶ For example: 

Step 3a: Government readiness assessment

Objective To determine whether or not the procuring agency has the ability, capacity, resources, engagement and willingness to procure the project as PPP. Government readiness also means that the project for consideration is within the budget limits and is affordable to the procuring agency.

Instructions

1. The questions are to be answered by the procuring agency within the line ministry (a party signing the contract on the public side).
2. The questions are based on the current status of project development.
3. Responses require high-level information to answer them and logical thinking through the questions.
4. Please, fill out the project information in the corresponding tab and project name and date below.
5. Please, respond to each question under "Select the response".
6. Scores will be calculated automatically and reflected on the dashboard.

Response scoring

yes	3
partial yes	2
uncertain	1
no	0
not applicable	N/A

Project Name/Title:	[Insert Date]				
Date of Submission:					
Questions to determine the government's readiness	Rationale for the question (why the question is necessary)	Example of supporting evidence assisting in answering questions	Please, select the response	Score	Please, list the source of information consulted to respond to the questions
Is the project on the priority list of the procuring agency (agency signing the contract)?	A project is more likely to be successful when there is a support from the Head of the procuring agency (e.g. Minister) which is demonstrated by an official letter or having the project included in the priority list of projects for the procuring agency for a pre-defined term.	Official list of priority projects or a supporting letter.	yes	3	
Does the procuring agency have experience with developing similar projects?	Experience with similar projects increases the procuring agency's capacity, ability and expertise to develop another project.	A list of similar and previously successfully developed projects.	yes	3	
Does the procuring agency have sufficient resources to develop and tender the project?	When the procuring agency undertaking the project has a good grasp on PPP development requirements and is willing to allocate resources (staff, technical expertise and budget) to prepare and tender a project, it has a better chance of attracting private sector's interest and resulting in financial closure.	High-level plan on existing experts and resources the procuring agency has and what is required for the project.	yes	3	

How to use the two-stage PPP suitability tool

Stage 2: Selection stage

- The total project scores resulting from the score for each of the 3 criteria's are then compared on the point scale
- *For example:*

from 18 to 30

Project has reasonable PPP potential and may be included in the master PPP pipeline for further assessment and allocation of resources.

from 11 to 17

Project has low PPP potential under the presented circumstances. Majority of the responses are "uncertain" or "n/a". It is recommended to collect more detailed information on those questions that scored the lowest and, if necessary, resubmit the response based on more detailed information.

from 0 to 10

Not enough information to draw substantive conclusion. Most of the answers are "no", "n/a" or "uncertain". It is recommended for the procuring agencies to conduct further due diligence on the project and revisit the PPP suitability assessment.



4

End of Day: Wrap-up Session



Agenda

Day 2

- 09:00 – 09:30 Welcome / Tea & Coffee
- 09:30 – 10:30 Reflections on previous day and highlights
- 10:30 – 11:15 Concluding notes / Action Items



Learnings from previous day

Understanding the concepts

- Are there outstanding questions on PPP concepts for you?
- Do you feel confident that you can articulate the difference between PPPs and conventional contract procurement well enough to tell others? What would help you to do so?

Method and Approach to training

- Which components of the presentation were particularly useful to you?
- Where in the training did you feel most lost or disengaged?
- Would you prefer something different in the training approach (for instance, more case study examples)?

Findings regarding Lesotho's readiness for PPPs in the Water sector

Audience reflections

- After conducting the exercises on projects – what do you think about the Lesotho context works well for developing projects as PPPs in the water sector?
- What do you think does not work well from an:
 - Institutional perspective
 - Market perspective
 - Regulatory perspective

Our observations and reflections

- *Populated post day 1....*

Way Forward

- *Populated in group...*



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About Rebel

No change without a Rebel

Rebels work on the issues that affect all our futures, from sustainability, transportation and urban development to healthcare and the social sector. We make an impact, not only as consultants but also as investors. After all, anyone who believes in their own advice should be prepared to invest in it. We are committed to bringing change, initiating and realizing our own projects. We provide quality strategic advice & development, business policy & evaluation, partnership consulting & contracts, financial advice & modeling, and investments & fund management.

Thinking beyond existing structures

The Rebel adventure began in 2002 with ten chairs around a large round table. Sitting around that table, we decided to continue our careers in consultancy by starting our own company – we were the first Rebels. It was to be a company without a hierarchy, without bosses, without limits. A place where everyone could realize their full potential. We bring everything we have inside to the table. Intrinsic motivation, the urge to bring change, expertise and one constant focus: to make a real impact with our projects around the world. We now work with more than 180 Rebels from our offices in Rotterdam, Amsterdam, Antwerp, Düsseldorf, London, Washington D.C., Nairobi, Johannesburg, Mumbai, Manila and Jakarta.

The drive and determination of that first step in 2002 informs how we work with and on behalf of our partners to this day. Trust is everything. In everything we do – and we do a lot! – our objective is to have a positive impact on the world. At the interface between the public and the private, because combining social values with a keen business sense is close to the heart of all Rebels. That might seem like an ambitious goal, perhaps, but we have always relished a challenge. We invite everyone to join in, to become part of the change. Let's think beyond existing structures. As governments, as companies and as individuals.

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