ACCELERATING PRIVATE SECTOR INVESTMENTS IN WATER INFRASTRUCTURE

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DBSA
Is Private Sector Interested in Investing in Water Infrastructure?

- **Africa Investments Overview**
  - Between 1992 to 2012 there were a total of 51 PPPs in the water and sewerage (including desalination) with estimated value of over US$3 billion.

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**TOTAL INVESTMENTS IN PPPs FROM PRIVATE SOURCES IN AFRICA’S WATER AND SEWERAGE SECTOR**

- **Algeria**: 1) four BOT projects; 2) one management contract*
- **Sudan**: BOT
- **Cameroon**: lease contract*
- **Egypt**: BOT
- **Ghana**: BOT
- **South Africa**: concession (build, rehabilitate, operate, transfer)
- **Mozambique**: lease contract
- **Senegal**: lease contract

Source: Water PPPs in Africa, World Bank
### IS PRIVATE SECTOR INTERESTED IN INVESTING IN WATER INFRASTRUCTURE?

- Between 2013 and 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>Financial closure year</th>
<th>Project Name</th>
<th>Type of PPI</th>
<th>Subtype of PPI</th>
<th>Scope</th>
<th>Total Investment (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwanda</td>
<td>2017</td>
<td>Kigali Bulk Water Supply Plant</td>
<td>Greenfield project</td>
<td>Build, operate, and transfer</td>
<td>Potable water treatment plant</td>
<td>60</td>
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<tr>
<td>Senegal</td>
<td>2015</td>
<td>Notto Diosmone Palmarin and Gorom Lampsar Water Supply System</td>
<td>Management and lease contract</td>
<td>Lease contract</td>
<td>Water utility without sewerage</td>
<td>33</td>
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Source: PPI Database http://ppi.worldbank.org
GLOBAL PERSPECTIVE – WATER AND SEWERAGE INVESTMENTS 1990 TO 2020

Source: PPI Database http://ppi.worldbank.org

Projects reaching financial closure by region

Investment in projects by region (US$ million)

Highlights (1990 - 2020)

- Number of countries with private participation: 65
- Projects reaching financial closure: 1,096 with total investment of $90.020
- Region with largest investment share: East Asia and Pacific (46.42%)
- Type of PPI with largest share in investment: Brownfield (59.34%)
- Type of PPI with largest share in projects: Brownfield (50.75%)
- Projects cancelled or under distress: 63 representing 17.63% of total investment

Source: PPI Database http://ppi.worldbank.org
THE OPPORTUNITY FOR PRIVATE SECTOR INVESTMENT

Financing
- Innovative Instruments including local currency financing via attractive instruments to say pension funds/institutional investors
- Debt Finance
- Equity Finance

Innovation & Infrastructure across the Water Value Chain
- Water Production Side
  - Abstraction
  - Transmission
  - Treatment
- Water Supply Side
  - Storage
  - Distribution
  - Use & Reuse
  - Waste Water systems

Operation & Management
- Improving business processes
- Turn-around/profitability
- Application of technology in operations
CAN WE INCENTIVISE PRIVATE SECTOR PARTICIPATION?

WHAT AREAS?

- NRW
- 4IR
- SOCIAL CAPITAL
- CIRCULAR ECONOMY
- RESILIENT INFRASTRUCTURE

WHAT FINANCIAL TOOLS

- Grant Based Guarantees
- Demonstration of Business Models
- Local Currency - Preferential Lending
- Preferential Lending

WHAT AREAS?

- ?
- ?
- ?
- ?
LESSONS FROM KIGALI BULK WATER SUPPLY PROJECT

Business Environment & Macro-economic stability & outlook
- Established Market structure
- Economic Regulation of Sector
- GDP growth of ~9%

Structuring the Project
- Leveraging expertise to help structure- “blended teams of government, sponsor and finance arranger”
- Competitive Tendering
- Project Finance Approach-creating the project company KWL
- Model aligned to risk allocation-BOT
- Stretching the tenor to balance ROI and affordable tariffs-27 year concession; 18 year debt financing tenor

Blended Financing - Leveraging DFI
- AfDB provided Non-sovereign lending-~US$20 million
- EAIF-~US$22 million
- MIGA Guarantee ~ US$14 million

Climate Resilience Information component
- Project company collects, monitors and evaluates the water levels and rain patterns within the Nyaborongo River basin
WHERE SHOULD WE FOCUS TO CROWD IN PRIVATE SECTOR

Policy and Regulatory Environment

- Creating a suitable market structure- including regional/cross border structures
- Allowing private sector service provision
- Protecting private sector asset ownership
- Predictable Tariff regimes
- Quality standards, including service level standards

Leading the Investment Approach

- Investment Programs- encompassing & leverage DFI funding for preparation & project structuring
- Establishing Portfolio of Bankable Projects

Incentivizing Piloting of Innovative approaches and the leap frog of technology in the sector

Platform for Private Sector Water Sector Engagement

- In situ ground water treatment
- NRW
- Decentralized systems
SADC REGIONAL FUND FOR WATER INFRASTRUCTURE AND BASIC SANITATION
OUR WORK IN THE SADC REGION TO HELP PRIVATE SECTOR PARTICIPATION

Demonstrating that Cross Border Water Supply projects are viable
• Lomahasha – Namaacha Cross Border Water Supply Project
• Kazungula Border Town Water Supply Project

Regional Investment Program
• Portfolio of Regional Projects
• Structuring Facility – Leveraging our DFI position to help incentivize private sector participation

Water Index- Scorecard to help track performance and investments in the sector (DBSA collaborating with GWP, AUDA-NEPAD, AfDB for continental approach)

Creating the Platform for Engagement
• Supporting SADC in Operationalizing the Water Utilities and Regulators Association, as an avenue for Sector specific private sector engagement
THANK YOU
# Contact Details

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