

Funding Water Services



PRESENTATION TO Municipal Indaba

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1. INSTITUTIONAL FRAMEWORK

- Department of Water Affairs and Forestry
- Catchment Management Agencies
- Water Services Authorities
- Water Service Providers

2. SECTOR CLASSIFICATION

- ❑ Water Resources:
 - National water resources - management, allocation, monitoring and licensing

- ❑ Water Services:
 - Local Government provision of water services (water supply and sanitation)
 - Local and regional service provision

3. FUNDING INSTRUMENTS

- ❑ Debt – Balance Sheet
- ❑ Government Grants
- ❑ PPP Models
- ❑ Other Instruments (e.g. project finance bonds)

4. DBSA EXPOSURE IN WATER SECTOR

Sub - sector	Current Exposure (R'm)
Water Resource Development	642,2
Connector/Distributor Infrastructure	1393,2
Service Infrastructure	2933,2
Total Exposure:	4968,6

5. CHALLENGES FACED BY WATER SERVICE PROVIDERS

- ❑ Water conservation and demand /loss management given competing demands (industrial, domestic, agric)
- ❑ Infrastructure and Asset Management challenges (ageing infrastructure and O & M challenges)
- ❑ Compliance to various sector requirements (financial, technical, environmental and institutional)
- ❑ Institutional capacity and skills shortages
- ❑ Weak balance sheet, cost recovery, willingness to pay
- ❑ Water quality management challenges
- ❑ Environmental pollution and protection challenges

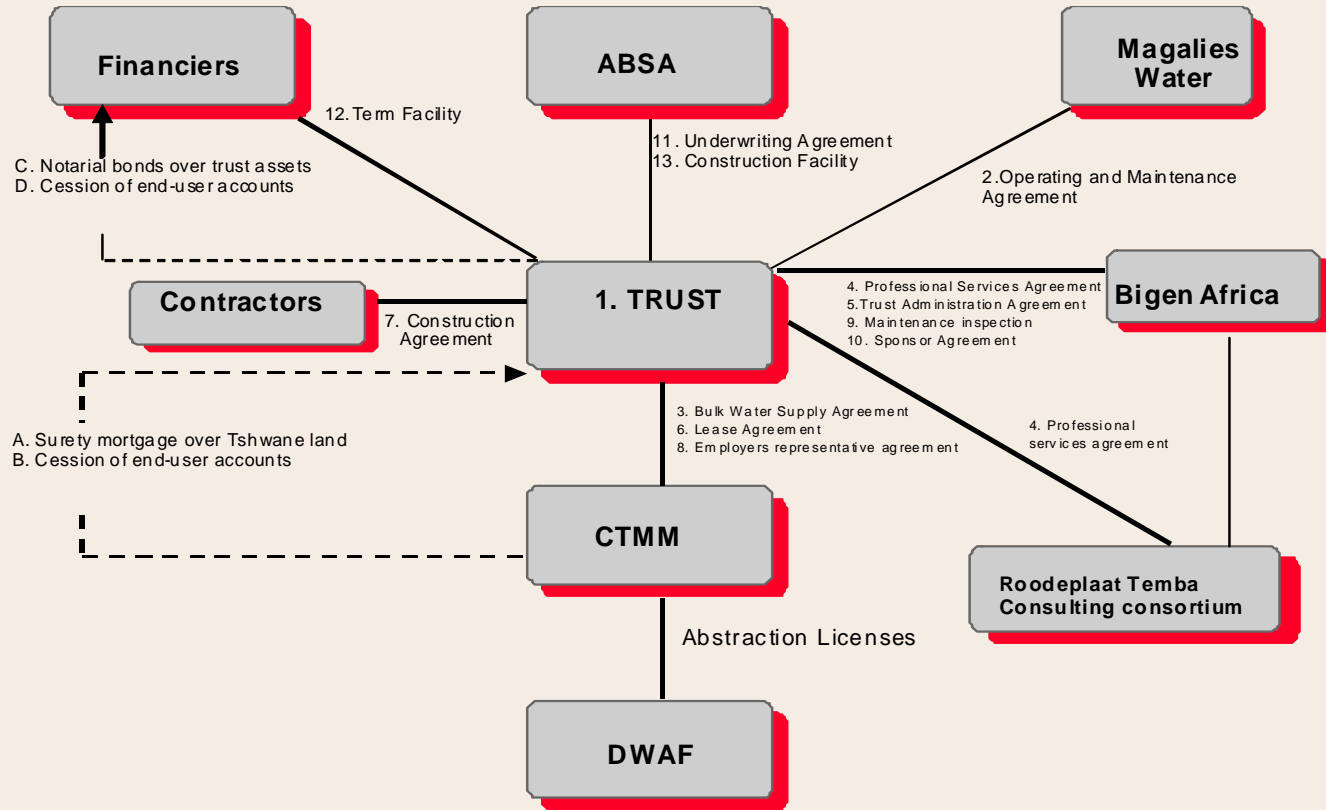
6. SUPPORT OFFERED BY DBSA

- ❑ Grant funding – policy formulation, systems development, asset register, etc.
- ❑ Capacity development – training, deployment of key skills (Siyenza Manje)
- ❑ Project preparation – feasibility studies, preliminary design, cost estimates, etc.
- ❑ Turnkey solution – project identification, preparation, funding, commissioning
- ❑ Funding – debt, equity, other instruments.

7. CASE STUDY A: ROODEPLAAT TEMBA WATER SCHEME

- ❑ The Project was implemented under a trust owned by the City of Tshwane
- ❑ The Scheme draws raw water from the Roodeplaat Dam in terms of a license issued by DWAF to the Trust
- ❑ The Scheme will supply water to City of Tshwane for 25 years on a take-or-pay basis
- ❑ Magalies Water appointed as an operator on behalf of the Trust
- ❑ Non-recourse project finance by DBSA, Nedbank and ABSA

Structure of the Roodeplaat Temba Water Scheme



LESSONS LEARNT

- ❑ The Project is one of the first limited recourse financing of PPP's in the municipal sector and hence serves as benchmark
- ❑ It addressed political sensitivities of privatizing water services by maintaining ownership in public institutions
- ❑ The operator was given a relatively short contract of 5 years, thus allowing for flexibility
- ❑ Ring-fencing of assets and cash-flows allowed the project to be geared 100%

7. CASE STUDY B: REGIONAL BULK WATER SUPPLY – NORTHWEST PROVINCE



- ❑ Client is a poor local municipality, huge service backlogs, 27% unaccounted for water, and collection rate of 39%.
- ❑ Total project cost R 140m, co-funded by DWAF, DBSA, MIG, DPLG NW and the client.
- ❑ DBSA provided a R74m bridging finance facility, on concessional terms, linked to the MTEF budgetary cycle.
- ❑ In parallel, DBSA provided a TA Grant to address capacity constraints, enhance revenue collection and improve service delivery and efficiency.

LESSONS LEARNT

- ❑ Client required an integrated support package: (Improved revenue collection, water loss management, operation and maintenance, improved service quality and funding to address service backlogs).
- ❑ Project could only be realised by mobilising the contribution of other stakeholders. (DWAF, MIG, DPLG and the client.)
- ❑ Development Impact (Poverty reduction, economic growth, health and environment, partnerships, BEE and job creation, reduction in backlogs).

8. CONCLUSION

- Water sector challenges are expected to continue into the future.
- To ensure sustainability, the focus must be on what can be done now to conserve and manage what is available.
- The skills shortage at operational and management level rather than funding is the biggest challenge.
- Municipalities have to make an effort to employ skilled personnel to effectively manage service providers.
- Municipalities need to strike a balance between increasing service coverage and the maintenance and rehabilitation of existing infrastructure.
- The involvement of the private sector in service delivery needs to be increased by developing appropriate local models.

- **THANK YOU !!!**