



The EU Africa Trust Fund

Lake Victoria WATSAN Case Study

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“... blending becomes one of the most interesting answers for the next future, in meeting global development challenges. It shows great promise, as tools to increase the leverage and visibility of EU external assistance and to promote cooperation among bilateral and multilateral finance institutions.”



An example of blending in the water sector:

1. The Lake Victoria WatSan project

Case Study: Ugandan component

2. Lessons learnt / discussion points

- Relevance
- Effectiveness
- Efficiency
- Potential Impact



Lake Victoria WATSAN

Case Study

LV WATSAN Framework



Key facts

	Total project cost [M EUR]	IRS [M EUR]	ITF Grant TA [M EUR]	PFG Lead financier	PFG Co-financier	Start of Operations
KENYA	55	-	5	AFD	EIB	2014-19
TANZANIA	104.7	10.7	7	EIB	AFD	11/2012 -
UGANDA	212	14	8	KFW	AFD/EIB	6/2010 - 2016



Ugandan Component

Key Objectives

- Meeting the water demand of a rapidly increasing population
- Increasing supply reliability
- Systematic and phased approach to reduce losses and operational costs while
- Protecting the catchment, improving sanitation and serving the poorest segment of the population



Ugandan Component

Organizational set-up

- Project financiers
 - EIB, AFD, KfW cooperating under the *Mutual Reliance Initiative*
 - KfW as lead financier

- Implementing Partner
 - National Water & Sewerage Corporation

- Project Implementation Unit of NWSC composed of 6 full time professionals
 - A Programme Manager, a Project Accountant, 3 lead engineers and a principal sociologist
 - Key support staff on call includes a chief manager, a sr manager in infrastructure planning, a sr manager in project implementation, a principal procurement officer and a sr manager for legal services



Ugandan project

5 investment components:

Investment Component	MEUR	Funding	MEUR	Source of IRS
1. Upgrading & Rehab. Gaba WTP	32.5	KfW debt:	30	BMZ grant funds
2. Upgrading & Rehab. Network	70.0	AfD debt:	64	AfD own funds & ITF (14 Meur)
3. New WTP & associated system	84.0	EIB debt:	70	EIB Investment Facility (24.5 Meur)
4. Extension of Water supply and sanit. in informal settlements	10.0	KfW grant:	10	
5. Studies & TA	15.2	ITF TA grant:	8	
		NWSC/GoU:	30	equity
TOTAL	212		212	

Ugandan project

Work divided in 7 packages (1):

1. “Quick Win – No Regret” measures

- *Secure production at Ggaba I & II (part of component 3)*
- *Increase reservoir storage capacity (part of component 2 – ITF IRS)*
- *Enable bulk water transfers to some critical low water supply areas in the Kampala water supply area (part of component 2 – ITF IRS)*

2. Capital works mainly under Component 2 and transmission and storage facilities associated with Component 4

2a - network modelling and master planning

2b - design and construction of this infrastructure

restructuring and extension of the existing distribution network;

densification and extension of the secondary network;

extension and rehabilitation of tertiary network.

3. Works under Component 3 not tackled under Package 1



Ugandan project

Work divided in 7 packages (2):

- 4. Development of a new water treatment plant to the east of Kampala (Component 4)**
- 5. Implementing Measures in Informal Settlements/Urban Poor areas of Kampala**
- 6. Addressing capacity gaps within the project implementation unit and the NWSC as a utility business**
- 7. Long-term water quality (addressing deteriorating water)**
Includes feasibility study and quality monitoring for the new WTP under Package 4



Ugandan Component

Conditions of disbursement include inter alia:

- ❑ Contractual obligations of each financier
- ❑ Joint Implementation agreement
 - ✓ Except for the quick wins components, all other capital investments are conditional to the successful completion / approval of the comprehensive diagnostic study and modelling exercise
- ❑ Special Implementation agreement
 - ✓ Close cooperation with the Lake Victoria Basin Commission
 - ✓ MoU between NWSC and Kampala City Council Authority, establishing a joint planning for urban sanitation and development

Ugandan Component

Implementation is still in an early stage:

- ❑ **Package 1&3:** Rehab. and water production optimisation of Gaba water treatment complex and minor transmission improvement measures
 - ❑ **Package 2a:** Restructuring, rehab. and extension of Kampala water supply network, including storage and Kampala East water transmission mains
 - ❑ **Package 4a:** Feasibility studies, a water quality monitoring for development of New Water Treatment Plant east of Kampala
 - ❑ **Package 5a:** Development of an appropriate sanitation concept, review of water supply aspects in informal settlements & Feasibility study
 - ❑ **Package 6&7:** Accompanying measures and informal settlements
- Design finalised
 - Firms to undertake works shortlisted
 - Bids for the works submitted on 30 July 2013 and contract under signature
 - Draft scoping report Environmental & Social Impact Assessment reviewed
 - Consultancy contract signed on 25 April 2013; consultant has started work on 10 June 2013.
 - Bids for the services were under evaluation; the technical evaluation report finalised by end of June 2013
 - Bids received and technical evaluation report finalised. In June this report has been shared to the Development Partners for securing 'No Objection'
 - ToR to procure an expert to provide programme management support finalised and shared with development partners
 - Concept note for the recruitment of an expert with strategic and utility management experience for the strategy to implement Package 6 to be finalised



ITF TA grant

Used for studies in preparation of capital investments:

- Detailed design of rehabilitation and upgrading of the Gaba water treatment plant (WTP) and preparation of the Tender Dossiers (1 MEUR)
- Consolidated water and wastewater master plans planning review / diagnostic of the transmission system and the primary network in Kampala, modeling of the water distribution system, hydraulic analysis and GIS (4 MEUR)
- Hydraulic investigations for new WTP East of Kampala including water quality modeling at Lake Victoria. Feasibility study new WTP and supply system. Preparation of detailed design and Tender Dossiers (3 MEUR)

ITF Grant Replicable elements

- Example of coordination of sanitation planning in rapid urban development
 - Consolidating fragmented planning information
 - Arresting the practice of expansion of water supply without the corresponding technically feasible plan to collect the generated wastewater
 - Pre-condition: critical mass reached by the project allowed the deployment of the means to carry out a comprehensive set of studies

TA to build up capacity in the water utility

- ❑ To shift the utility from a reactive approach to strategic planning and proper asset management, including *inter alia* water demand management
- ❑ To Tackle the severe day-to-day deficiencies and risks to take on the operational obligations and costs of an extensive sewer network



Regional approach to capacity building

- ❑ *Water Operator Partnership* as proven mechanism for dissemination of the replicable elements under the project and foster collaboration of water supply and sanitation utilities in the EAC



Risk management

Replicable elements

- Sensible use of **upfront** IRS
 - Enabling quicker disbursement of the funds and in turn allowing faster deployment of donor's funds
 - In fact, it provides a greater subsidy: increase in the NPV and IRR on the project while not impacting the actual amount of funds disbursed

- Too early to assess the actual effectiveness of envisaged risk mitigation measures
 - N.B. EFIs make reference to their standard risk management appraisal procedures (no fragmentation / no duplication of work)

Pro-poor considerations

Package 5

[Implementing Measures in Informal Settlements/Urban Poor areas of Kampala]

Objective

- *Improve water supply and sanitation infrastructure within informal settlements in the municipal area of Kampala, where approximately 50% of the city's population reside.*

Activities

- *Development of an appropriate sanitation concept,*
- *Review of water supply aspects put in place by NWSC in informal settlements*
- *Feasibility study for the immediate measures which shall be implemented in 20 pre-selected parishes*
- *Measures in the 20 pre-selected parishes (for a total of EUR 10 million)*

Implementing partners

- *NWSC: responsible for sewerage and faecal sludge treatment*
- *Kampala Capital City Authority (KCCA): responsible for the collection and transport of faecal sludge*

Take-Home Messages

The grant element has Improved the quality and sustainability of projects (1):

1. Substantially increased coordination of aid efforts and coordination platforms for the financiers
 - No duplication of effort or parallel uncoordinated projects
 - Increased economies of scale
 - Specific coordination of 3 national components in the context of grant operations
2. Better risk or management capacity using simple internal coordination mechanisms
 - Use of Lead Financier role; Resource and know-how pooling to support the respective EU development strategy in the regions
 - Sensible use of ITF upfront disbursement



Take-Home Messages

The grant element has Improved quality and sustainability of projects (2):

3. Magnitude of the project made it become central in strategic dialogue with the Beneficiary

This is a very important aspect to reduce the political risk

- Magnitude of the project allowed deployment of a comprehensive set of studies and TA, increasing potential impact and sustainability
- It has also allowed to establish binding conditions on institutional capacity and coordination of National Implementing Bodies (cf. joint planning NWSC & KCCA)
- Regional approach to capacity building likely to increase the potential impact of the project (cf. link to the LV Water Commission & Capacity building of water utilities in the region)

(Slow start understandable considering the complexity of the project but how to avoid this in the future?)

Is there room for improvement?



RELEVANCE

How to leverage additional financing ?

- How to look beyond public sector financing in order to bridge the infrastructure gap?
- How to address risk management to attract investors?
- Guarantee and credit enhancement mechanisms can provide more leverage than IRS?



How to increase the leverage?

Trans-East African Networks approach:

- Develop a strategy to engage the private sector availing them with clear portfolio of prioritized projects ready to be financed =BANKABLE
- Develop a regional framework that would allow *blending* of resources grants and loans coming from both public and private sector
- Develop a guarantee scheme to reduce risks of doing business and attract more private investment to infrastructure sector
- Develop institutional capacity and coordination of National Implementing Bodies to cope with a larger number of projects.

For further info: www.infraeacfinance.com



EFFECTIVENESS

- ❑ How to improve opportunities for coordination of infrastructure projects with non-PFG financiers beyond the context of the individual grant operation (e.g. with the AfDB and World Bank) ?

- ❑ How best to encourage private sector participation in terms of existing instruments?
 - TA to PPPs, guarantee mechanisms, parallel direct grants

EFFECTIVENESS (2)

- How to reinforce "additionality" of the ITF support, ensuring at the same time that private investors are not unnecessarily subsidized?



EFFICIENCY

- In your view, are the interaction between your Delegation and the ITF satisfactory?
 - In terms of projects (local coordination during the operations)?
 - In terms of coordination and strategy?



EFFICIENCY (2)

- Is in your experience the quality of grant request submissions consistent?
- Are in your experience the monitoring arrangements OK ?

Thank you for the attention!

