



PPIAF

Enabling Infrastructure Investment

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PPIAF Helps the Government of Rwanda Manage Private Sector Participation in the Water Sector

Rwanda's capital city of Kigali is home to more than one million people, and the population is expected to grow significantly in the coming years due to a combination of migration from densely populated rural areas and the city's rapid economic growth. The population expansion is placing a significant strain on Kigali's infrastructure services, particularly in the water sector. In 2009, Rwanda's official water coverage rate stood at 76 percent (with access defined as being within 200 meters of an improved water source), and only 30 percent of customers had household or yard connections. Additionally, water demand in Kigali was estimated to be 69,000 m³/day, against a supply of 54,000 m³/day, resulting in a deficit of 15,000 m³/day.

In response to these service challenges, the Government of Rwanda (GoR) committed to increasing water supply and ensuring 100 percent coverage in Kigali. It was also interested in exploring options for private sector participation in the sector. The National Water Strategy, derived from the National Public Investment Policy, promoted evaluation of options to mobilize private investment for bulk water production, treatment and the extension of distribution systems.

It was in this context that GoR engaged IFC's Advisory Services in Public-Private Partnerships as its lead transaction adviser to develop and structure a planned public-private partnership project for a new, sustainable bulk water resource in Kigali, and conduct a competitive tender process for the selection of the private partner. The GoR subsequently approached the Public Private Infrastructure Advisory Facility (PPIAF) to provide institutional strengthening and capacity building around the transaction, in order to ensure GoR's ability to manage the project over the long term.

PPIAF SUPPORT

PPIAF has provided two phases of support to help establish and strengthen a credible offtaker for the Kigali bulk water project. The first phase began in 2011 and covered three major areas:

1. Institutional support to the Energy, Water, and Sanitation Authority (EWSA) to strengthen its ability to oversee and implement the Kigali bulk water project. This included recommending an organizational structure that would allow EWSA to improve its financial, technical, operational and commercial performance;
2. Technical support to EWSA to develop a more comprehensive understanding of the distribution network and its operational performance, in order to provide strategic recommendations to improve network monitoring and reduce the non-revenue water rate; and
3. Capacity building to government officials to improve their understanding of PPPs.

The first part of support approved in 2011 was to provide institution support for EWSA which was to be the off-taker for the proposed bulk water project. PPIAF also delivered training to develop capacity of the institutions understanding of PPPs. The second part of support to GoR reviewed the performance of the water and sanitation sector and proposed options for the restructuring for the water and sanitation specific activities of EWSA into a sustainable autonomous entity. This part was delivered in two phases.

The Phase I activity found that the current structure of EWSA was financially and operationally unsustainable. In order to increase the transparency and quality of operations, GoR took the decision to split EWSA into two separate utilities. In October 2013, EWSA was split into two public companies: Rwanda Energy Group Ltd (REG) and Water and Sanitation Corporation Ltd (WASAC). In early 2014, PPIAF approved Phase II assistance to support the establishment of WASAC and develop a strategic business plan and investment plan. The objective of the Phase II assistance was to help WASAC become a sustainable autonomous entity offering improved water and sanitation services and capable of serving as an effective off-taker and counterparty for the Kigali bulk water project and any subsequent PPP projects in the sector. This

Phase II support is ongoing, and includes post-transaction award capacity building to enable WASAC to oversee and manage the project.

OUTCOMES

Following the decision to split EWSA into two specialized energy and water utilities, WASAC was formally established under law N° 87/03 (dated August 2014) to manage water and sanitation services in Rwanda, operating under the high level strategy developed by PPIAF. This enabled the successful tendering of the Kigali bulk water project, providing comfort to potential bidders that the GoR was committed to the sustainable provision of water and sanitation services, and that WASAC would be able to serve as an effective offtaker and counterparty to the project.

In addition to institutional support to EWSA and WASAC, PPIAF has provided significant capacity building training to government officials. This training is critical for effective oversight and management of the Kigali bulk water project and for any subsequent PPP projects in the sector.

IMPACTS

PPIAF's institutional strengthening and capacity building support helped create a conducive environment for the development and tendering of the Kigali bulk water project. In March 2015, the GoR signed a 27-year PPP concession agreement with Metito, which will be responsible for the financing, design, construction, operation and maintenance of a treatment plant and forwarding infrastructure, including transmission pipelines to three storage reservoirs. The plant, which will take approximately two years to construct via \$75 million of private investment, will supply 40,000 m3 of treated water daily, serve 40 percent of Kigali's potable water requirements, and help ensure the growing population of Kigali will have access to sufficient water for decades to come. PPIAF will continue to provide post-transaction award capacity building support to enable WASAC to oversee and manage the project.

DONOR COORDINATION

The transaction advisory for this project was provided by IFC's Advisory Services in Public-Private Partnerships. It was implemented with support from PPIAF and the Infrastructure Development Partnership Fund (DevCo).