Reconstruction and Development. Vivendi also contributed approximately EUR 35 million (USD 39 million) in equity.

Lessons Learned

This project is reported to have achieved quite a number of positive outcomes during the concession period. It obtained 100 percent compliance with EU water quality standards, recorded an increase in overall customer satisfaction (up from 46 percent in 2002 to 75 percent in 2009), expanded the coverage area (covering 92 percent of the city), and reduced leakage, non-revenue water, and commercial losses related to under-billing and theft. By 2008, efficiency gains had produced cost savings totaling USD 49 million. As of 2010, Apa Nova Bucureşti had invested more than USD 250 million in upgrading and servicing the system without public subsidies. Despite operating without a subsidy, the project has been able to provide a relatively high level of service quality. It has also kept tariffs below the Romanian average. Of Apa Nova Bucureşti's USD 250 million investment, USD 66 million was invested in pipe replacement and other measures to reduce leakage, which should help keep costs and tariffs low in the long term.

This project displayed several characteristics that bear highlighting:

- Tariff increases were tied to improvements in service delivery, providing an additional incentive for the project company to operate efficiently.
- The largest factor in efficiency gains came from the improvement in labor productivity. This was obtained in part by investing in new equipment that increased employee safety and productivity, delegating more responsibility to the staff, and selling 10 percent of the shares in Apa Nova Bucureşti to workers in 2007 to improve relations between management and workers. Increased energy efficiency, collection efficiency, reduced leakage, and reduced non-revenue water further contributed to the efficiency gains.[40]

19. Small Scale Water Infrastructure, Busembatia, Uganda

Photo Credit[41]

Background

Busembatia is a small town in Uganda with a population of about 14,500. Its water sources are limited and the ones it has are often contaminated, affecting the health and economic well-being of its people. A locally run facility was able to provide water of an acceptable quality, but only served 200 people and provided a very low standard of service. The town was struggling to fund efforts to provide a more reliable supply of water without grants from either donors or the national government, as local funding for public capital investments was tightly constrained. While the private sector was active in operating water distribution networks in small towns throughout Uganda, this participation was limited mainly to basic management contracts, with little to no private financing of new investments.

Project Structure

In 2010 the International Finance Corporation (IFC), with support from the Austrian Development Agency, the Public-Private Infrastructure Advisory Facility (PPIAF), and DevCo, a multi-donor facility affiliated with the Private Infrastructure Development Group (PIDG), helped to deliver a small-scale water PPP in Busembatia by providing three types of assistance: (i) transaction advice; (ii) public sector

[40] Apa Nova. 2019. "Who we are." Apa Nova Bucuresti. Accessed February 12, 2019. https://www.apanovabucuresti.ro/en/company/who-we-are/the-concession-contract/;

International Finance Corporation. 2010. Public-Private Partnership Impact Stories Romania: Bucharest Water and Sanitation. Washington, D.C: World Bank Group. Accessed November 27, 2019. https://www.ifc.org/wps/wcm/connect/234b1a1c-feaf-4829-9257-a0700af9acb9/PPPStories_Romania_BucharestWaterAndSanitation.pdf?MOD=AJPERES&CVID=lHJa0WD;

EarHardt, David, Melissa Rekas, and Martina Tonizzo. *Water in Bucharest: A Utility's Efficiency Gain under a Concession.* Washington, D.C: World Bank Group, 2011. Accessed February 13, 2019. http://documents.worldbank.org/curated/en/579001468330990816/pdf/655980BRI00PUB0arest0water00PUBLIC0.pdf;

Teicher, Julian, Bernadine Van Gramberg, Marius Profirou, and Cristina Neesham. 2013. *Sharing Concerns: Country Case Studies in Public-private Partnerships.* Newcastle: Cambridge Scholars Publishing;

World Bank Group. 2016. "PPI Project Summary: Romania, Bucharest – Concession Agreement for Water and Sanitation Services." PPPLRC. Accessed May 25, 2019. https://ppp.worldbank.org/public-private-partnership/ppi-project-summary-romania-bucharest-concession-agreement-water-and-sanitation-services.

capacity building; and (iii) access to finance. The project aimed to leverage existing private sector participation in the operation of water distribution networks by developing a standard operation and maintenance contract suitable for small towns and rural growth centers that could be modified to include the design and construction of extensions to the distribution system.
The management contract would have a term of five to ten years, as compared to the one to three years typical of existing management contracts in Uganda, to make it more attractive to private operators and lenders.

Following a prequalification process, three local companies were invited to bid for a five-year management contract. In 2010, the contract was awarded to Trandint Limited, one of the largest local water system operators in Uganda. Trandint Limited was selected because its proposal met the minimum technical requirements, it had already secured a financing arrangement with lenders, and it offered the lowest bid price of USD 270,000.

Under the management contract, the private operator assumed exclusive responsibility for managing the assets and providing services to Busembatia town, paying utility expenses and taxes, and collecting user charges in accordance with a schedule of tariffs and rates agreed with the local authority and fixed in the contract.
The local authority retained responsibility for setting tariffs in accordance with an approved business plan, ownership of the underlying assets, and responsibility for managing critical situations in case of contract termination or dispute. Tradint Limited further agreed to install at least 400 new connections during the first two years of the contract (by 2012) and not to seek a tariff increase throughout the duration of the management contract.

While prior experience in Busembatia and similar towns in Uganda indicated that tariffs would be sufficient to cover operation and maintenance costs, the majority of the capital investment would be funded by performance-based subsidies provided by the Global Partnership for Results-Based Approaches (GPRBA), formerly known as the Global Partnership on Output-Based Aid (GPOBA).
This grant funding, however, would be released in phases throughout the project and could only be disbursed upon certification of commissioning and verification of outputs. Accordingly, the private operator would have to pre-finance the investment to access the output-based grants.

For pre-financing, Tradint Limited obtained a loan of USD 100,000 from a local commercial bank, DCFU Bank. This was the first time in Ugandan history that a local bank provided financing for a small-scale water supply project.

Lessons Learned

A total of 430 connections were installed during the first year of the project alone. About 750 water distribution stations in Busembatia now provide an uninterrupted water supply that serves thousands of people in the area. In addition, water production has increased from eight to twenty-one cubic meters per hour and collection rates have increased from 70 to 85 percent.

This project displayed several notable characteristics:

- Extending the contract duration to five years, compared to the previous standard practice of three years, provided the private partner with greater assurance of investment recovery.
- The involvement of bilateral and multilateral partners, including the IFC as transaction advisor, helped stimulate local banks' interest in the water sector and increase the understanding of PPPs among local stakeholders.
- The output-based grant helped incentivize local private sector participation, including domestic financing, in the extension of Busembatia's water supply system.[42]

[41] Davide Restivo from Aarau, Switzerland (https://commons.wikimedia.org/wiki/File:Water_drop_impact_on_a_water-surface_-_(1).jpg), „Water drop impact on a water-surface - (1)", https://creativecommons.org/licenses/by-sa/2.0/legalcode

[42] IFC. 2016. "A Water Project Revives a Ugandan Community." IFC. Accessed February 13, 2019. https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/a-water-project-revives-an-ugandan-community;

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International Finance Corporation. 2012. Uganda Small-Scale Water Infrastructure Program. Washington, D.C: World Bank Group. Accessed November 27, 2019. https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/Handshake1_Small Scale_Uganda.pdf;

Jamieson, Jane, and Victoria Delmon. "PPPs in water and sanitation: Ensuring Foundations of Equal Access to Infrastructure." Presentation presented at Law Justice and Development Week, Washington, D.C, December 13, 2012. Accessed February 13, 2019. https://slideplayer.com/slide/5745093/.