



Public-Private Partnership Stories

Rwanda: Kigali Bulk Water Project



The rapidly growing population of Kigali, Rwanda, is straining the city's infrastructure services. Maintaining people's access to water is a top priority as the city's population swells, but while water coverage rates are considered high, water production capacity has not kept pace with population growth. To overcome this problem, the Government of Rwanda (GoR) decided to partner with the private sector to diversify and improve water supply for the nation's fast growing capital city through a public-private partnership (PPP).

In September 2010, the Government of Rwanda retained IFC as lead advisor to develop and structure this bulk water supply PPP. Metito won a 27 year concession to build, operate and maintain a 40,000 m3/day water supply scheme. Metito committed US\$ 75 million to develop the scheme.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

IFC Advisory Services in
Public-Private Partnerships
2121 Pennsylvania Ave. NW
Washington D.C. 20433
ifc.org/ppp

The project was implemented with the financial support of DevCo, a multi-donor facility affiliated with the Private Infrastructure Development Group. DevCo provides critical financial support for important infrastructure transactions in the poorest countries, helping boost economic growth and combat poverty. DevCo is funded by the UK's Department for International Development (DFID), the Austrian Development Agency, the Dutch Ministry of Foreign Affairs, the Swedish International Development Agency, and IFC.

BACKGROUND

Kigali is home to over one million people and is growing rapidly. This is placing greater strain on infrastructure services in the city. Water coverage rates are good by African standards, estimated at over 80 percent today, but the majority of customers are served by communal stand posts and supply is intermittent because of limited water production capacity. The government has committed to improving water services, aiming for 100 percent coverage in Kigali by 2018. To meet this target and strengthen the water supply in a long-term, sustainable way, the Government of Rwanda (GoR) sought to develop a new water source for the city through a public-private partnership (PPP). In September 2010, the Government of Rwanda retained IFC as lead advisor to develop and structure this bulk water supply PPP (also known as the Project).

IFC'S ROLE

Under the advisory mandate, IFC was responsible for assisting the client in the preparation, design, and implementation of private sector participation in the Project by attracting one or more private sector investors with established financial standing and experience in the development, management, operation, and maintenance of a bulk water supply facility. The IFC project team carried out the assignment in two phases, including:

- Phase 1: Due diligence, which included identifying the most appropriate location for the Project as well as demand assessment to determine the plant sizing, and
- Phase 2: Competitive selection of investors to implement the PPP.

Capacity was limited within Kigali's public water utility, both in terms of developing and implementing the PPP and reforming the utility to ensure the long-term sustainability of water services in the city. Therefore, the IFC team also mobilized funding from the Public-Private Infrastructure Advisory Facility (PPIAF) to support capacity building for the water utility and the water sector reform process. This step complemented the transaction advisory mandate.

TRANSACTION STRUCTURE

Detailed legal, financial, technical and environmental assessments of the Project were conducted to assess the feasibility of the proposed project and to inform the preparation of a Strategic Options Report (SOR). The SOR included an assessment of water supply and demand to ensure that an optimal solution for the long-term needs of Kigali was identified and recommended a PPP structure that best suited the development objectives of the government while ensuring adequate conditions for bankability of the transaction.

The structure adopted for the Project was a 27-year concession on a Build, Operate and Transfer (BOT) arrangement. Under the BOT structure, the private investor, (the Concessionaire), will finance the design, construction, financing, operation and maintenance of a water production and treatment facilities to deliver up to 40,000 m³/day.

The sole off-taker for the project is the national water utility, Water and Sanitation Corporation (WASAC), while the Ministry of Infrastructure (MININFRA) will be the grantor of the project on behalf of the Government. The legal instruments for the implementation of the project were integrated into a single project agreement and jointly signed by MININFRA, WASAC and the Concessionaire.

BIDDING

The Metito consortium (comprising Metito Utilities Ltd and Metito Overseas Ltd) won a 27 year concession to develop, operate and maintain a 40,000 m³/day bulk water supply scheme comprising a water treatment plant, forwarding infrastructure and three water reservoirs. Metito will invest US\$ 75 million in the development of the scheme (to be completed in the first 2 years) and will then operate and maintain it for the remaining 25 years. The PPP agreement was signed on March 31, 2015.

This is a landmark transaction, as the first competitively tendered Water Build Operate Transfer Concession in Sub-Saharan Africa (outside of South Africa) and will result in an investment of \$75 million from the private sector, the largest amount for many years invested by the private sector in the water sector in Sub-Saharan Africa.

EXPECTED POST-TENDER RESULTS

- The winning bidder is investing US\$ 75 million in the construction of a new 40,000 m³/day bulk water supply scheme.
- The new project will increase water supply in Kigali by 40% of Kigali.
- The overall support will result in improved quality of service and access to water supply for over one million people.

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