

National Water Reuse Programme:

Programme Design and Preparation of a Full Funding Proposal to the Green Climate Fund



WRP GOVERNANCE AND OPERATIONS REPORT

Annexure 21

05 April 2023

This deliverable has been prepared by the Development Bank of Southern Africa with the support of Pegasys (Pty) Ltd in association with:

- JG Afrika (Pty) Ltd;
- Amber Public Sector Consulting (Pty) Ltd;
- Clarity Global Strategic Communications; and
- Yubifin (Pty) Ltd.

All referred to as the 'Service Provider' in the Service Level Agreement executed between Pegasys and the DBSA on 10 January 2021.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	vii
1. INTRODUCTION	1
1.1 Purpose.....	1
1.2 Structure	1
2. PROGRAMME DESIGN	2
2.1 National Water Partnerships Programme (NWPP)	2
2.2 Water Reuse Programme (WRP)	2
2.3 Powers and Functions	3
2.3.1 Role of local government: municipal water services delivery	3
2.3.2 Role of national government.....	4
2.3.3 Regulatory framework.....	4
2.4 Programme governance	5
2.4.1 Programme Aims	5
2.4.2 Programme design elements.....	5
3. PROGRAMME IMPLEMENTATION.....	7
3.1 WRP Governance Structure	7
3.2 WRP roles and responsibilities	8
3.2.1 NWPP Custodianship	8
3.2.2 NWPP Oversight.....	9
3.2.3 NWPP Accountability.....	11
3.2.4 WRP Operations.....	12
3.2.5 The Development Bank of Southern Africa	14
3.2.6 Water Reuse Unit	14
3.2.7 Community of Experts	15
3.2.8 Service Providers.....	15
3.2.9 Project Owners	16
3.3 WRP Procurement Plan.....	17
National Water Partnerships Programme Memorandum of Agreement	17
3.3.2 Programme Management Office Implementation Plan, including budget	17
3.3.3 Water Reuse Unit Implementation Plan, including budget	18
3.3.4 Project Owner agreements with WPO	18
3.3.5 Service provider service level agreements.....	18

3.3.6	Project Funding Agreements	18
3.3.7	Advisory Terms of Engagement	18
3.4	WRP standardised documentation	19
3.5	WRP implementation plan	19
3.6	WPO Structure	20
4.	PROJECT IMPLEMENTATION	24
4.1	Project preparation	24
4.2	Roles and responsibilities	25
4.3	Project structuring	27
4.3.1	Parameters	27
4.3.2	Water User	28
4.3.3	Risk transfer	29
4.3.4	Future financial commitment	29
4.3.5	Right to Use, Control or Manage a Capital Asset	30
4.4	Project Procurement	30
4.4.1	Project Procurement Strategies	30
4.4.2	Project Procurement Process	33
4.4.3	Project preparation timeframes	34
4.4.4	Project preparation standardised documentation	34
5.	CONCLUSION	36
	ANNEXURE: FRAMEWORK DOCUMENT	37

LIST OF TABLES

Table 1: WPO functions and tasks	21
Table 2: WRP project preparation activity	25
Table 3: WRP project roles and responsibilities	26
Table 4: WRP standardised project documentation	34

LIST OF FIGURES

Figure 1 NWPP governance structure	7
Figure 2 WRP roles and responsibilities	8
Figure 3 WRP governance contracting requirements	17
Figure 4 WRP implementation timeline	19
Figure 5 WPO Proposed Organogram	20
Figure 6 Project Preparation Stages	24
Figure 7 Project Procurement Strategies	31
Figure 8 Project preparation phases	33
Figure 9 Project preparation support tools	33
Figure 10 Project preparation time frames	34

ACRONYMS & ABBREVIATIONS

5CM	3 stage – 5 case model for infrastructure development
AE	Accredited Entity
BFS	Blended Finance solution
BOOT	Build Own Operate Transfer
BOT	Build Operate Transfer
CMA	Catchment Management Agency
DBFOM	Design, Build, Finance, Operate and Maintain
DBO	Design Build Operate
DBSA	Development Bank of Southern Africa
DCOG	Department: Cooperative Governance and Traditional Affairs
DFFE	Department: Forestry, Fisheries and the Environment
DWS	Department: Water and Sanitation
EPC	Engineering Procurement Contract
FFA	Funded Activity Agreement
GCF	Green Climate Fund
GTAC	Government Technical Advisory Centre
IBCF	Independent Blended Capital Facilitator
IDA	Infrastructure Development Act
IF	Infrastructure Fund
IPR	Indirect Potable Reuse
ISA	Infrastructure South Africa
MOA	Memorandum of agreement
NIP 2050	National Infrastructure Plan 2050, published in August 2021 for comment
NT	National Treasury
NWPP	National Water Program
OC	Oversight committee
PICC	Presidential Infrastructure Coordinating Commission
PIP	Programme Implementation Plan
PPP	Public Private Partnership
RQO	Resource Quality Objective
SA	South Africa
SALGA	South African Local Government Association
SCM	Supply Chain Management

SIP	Strategic Integrated Project
TCTA	Trans-Caledon Tunnel Authority
WPO	Water Partnerships Office
WRP	Water Reuse Programme
WRU	Water Reuse Unit
WSA	Water Service Authority
WSDP	Water services development plan
WSP	Water Services Provider
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

EXECUTIVE SUMMARY

The Department of Water and Sanitation has a national mandate to establish the Water Reuse Programme (WRP) under the National Water Partnerships Programme (NWPP). As South African water sector leader, the national department of water and sanitation (DWS) is the Programme custodian. It undertakes the Programme with the knowledge and support of the National Designated Authority, the national department of forestry, fisheries and environment (DFFE).

As programme custodian the DWS will contract with DBSA, in its capacity as GCF Accredited Entity and Executing Entity, to establish and support the implementation of the governance arrangements to give effect to the NWPP, including the WRP.

At a strategic level, an Oversight Committee (OC) will be established by DWS and DBSA. It will include representation by invitation from other stakeholders such as National Treasury, DFFE, and representation of local government. It will also have access to an advisory committee with sector expertise to guide the Oversight Committee. Core functions of the OC include to: provide strategic direction; oversee operational management; maintain institutional linkages; and undertake periodic monitoring and evaluation.

At an operational level, the DWS and DBSA will by agreement establish a programme management office known as the Water Partnerships Office (WPO). The WPO will be housed by the DBSA as managing agent of the WPO. The technical capacity for the WRP will be in a technical unit of the WPO, with access to a community of experts. It will also have access to the panel of service providers which will be procured by the WMO to assist with the identification, structuring and implementation of water reuse sub-projects. Water re-use projects will be implemented by agreement with the local government structures who are empowered by law to implement such projects in their respective jurisdiction.

1. INTRODUCTION

1.1 Purpose

This report outlines the proposed governance design and associated procurement plan and guidelines to give effect to the Water Reuse Programme (WRP) and associated water reuse sub-projects in South Africa. By “procurement” it is understood that the report addresses “what needs to be done by whom and when” to result in implementation. Thus, the key stakeholders, their core functions in the WRP and associated activities, and the anticipated time frames are identified. In this WRP governance report the water reuse (i) programme and (ii) the projects are addressed separately and distinguished from the broader National Water Partnerships Programme (NWPP).

1.2 Structure

The Governance Report is developed to give guidance as to how the Water Reuse Programme will be structured and implemented in the context of the National Water Partnerships Programme, and the role of the Water Reuse Programme in relation to the Projects. The report is structured as follows:

- **Section 2:** Programme Design describes the proposed governance and implementation arrangement of the WRP, at both a programme and project level, and within the context of the National Water Partnerships Programme.
- **Section 3:** Programme Implementation describes how the Programme will be implemented in a phased approach and identifying key areas for opportunity for standardisation of process and documentation, notwithstanding that each project will be unique.
- **Section 4:** Project Implementation sets out the approach to project preparation, project structuring and project procurement strategies.
- **Section 5:** Conclusion, cautions that the Governance Report relies on input from several other reports developed under separate cover.
- **Annexure A:** is a guide setting out a framework for procurement of a service provider to provide transaction advisory support for project preparation of a water reuse sub-projects.

2.PROGRAMME DESIGN

2.1 National Water Partnerships Programme (NWPP)

The Water Reuse Programme (WRP) is a sub-programme of the overarching National Water Partnerships Programme (NWPP). The establishment of the National Water Partnerships Programme is approved in principle by the Council of the Presidential Infrastructure Co-ordinating Commission (PICC) on 10 April 2021¹. The PICC Council is established in terms of the Infrastructure Development Act ² which includes as its main objective to “provide for the facilitation and co-ordination of public infrastructure which is of significant economic or social importance” to South Africa. The NWPP is further discussed in the draft National Infrastructure Plan 2050 (NIP 2050)³ developed by Infrastructure South Africa (ISA)⁴ in the office of the Presidency and issued by the Minister of Public Works and Infrastructure in terms of the Infrastructure Development Act in August 2021. Although still in draft form, the NIP 2050 reflects key national policy direction and decision making of the PICC, with a focus on implementation and action. The draft NIP 2050 refers to the establishment of an inter-ministerial committee to improve co-ordination on water and sanitation. In addition to the WRP, the NIP anticipates the National Water Partnerships Programme also addressing issues including non-revenue water and support to Water Services Authority (WSA).

2.2 Water Reuse Programme (WRP)

Water reuse is specifically identified as an opportunity for the NWPP, in addition to other support programmes such as non-revenue water and support to municipalities. It is further supported by the National Department of Water and Sanitation (DWS) in the National Water Reuse Strategy (2013). Reuse is also supported by the climate change policies of South Africa, as reflected in the National Development Plan (2011).

Water reuse “can be direct or indirect, intentional or unintentional, planned or unplanned, local, regional or national in terms of location, scale or significance” (National Strategy for Water Re-use, DWS 2011). The intent of the water reuse strategy is to encourage wise decisions relating to water reuse for all the different decision makers. Water reuse is supported as an option for the water supply mix. Water reuse projects typically involve a range of activities that are subject to water and environmental regulatory authorisation and control. These controls exist in a range of legislation that includes, but is not limited to the National Water Act, 1998 (Act 36 of 1998), the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), the National Environmental Management Act, 1998 (Act 107 of 1998), the

¹ National Infrastructure Plan 2050 (“NIP 2050”) for comments, published in Government Gazette 44951 Notice No. 711 dated 10 August 2021.

² Infrastructure South Africa currently established as an office in the Infrastructure and Investment Office of the Presidency.

³ Page 31 of the National Infrastructure Plan 2050 (NIP 2050) For Comments published in Government Gazette No. 44951 Notice No. 711.

⁴ Infrastructure South Africa was established in 2019 and is an office in the Infrastructure and Investment Office of the Presidency.

National Environmental Management: Waste Act, 2008 (Act 59 of 2008), the Water Services Act, 1997 (Act 108 of 1997), the National Environmental Management: Integrated Coastal Management Act, 2008 (Act 24 of 2008), and municipal bylaws.

Reuse is also supported by the climate change policy. In a policy review report, it is assessed that “South Africa has put in place one of the most elaborate and consultative climate governance systems observable among developing and emerging economies” (Averchenkova, *et al.*, 2019). National climate change governance in South Africa has received attention over the last 20 years, including development of policies, strategies, regulations and institutions. The 2004 National Climate Change Response Strategy, followed by the National Climate Change Response White Paper approved in 2011 (Climate Response Policy) form the foundation of national climate policy. In 2012 climate change became a key element of the National Development Plan, the overarching plan South African development. South Africa’s Climate Response Policy, 2011 and the National Development Plan (NPC 2011), present a vision for an effective response to climate change. The policy is guided by the Constitution, Bill of Rights, National Environmental Management Act, Millennium Declaration and the UN Framework Convention on Climate Change. In 2015 South Africa signed the Paris Accord.

The establishment of the WRP to support water reuse sub-projectss is thus enabled in terms of South Africa’s existing water and policy framework.

2.3 Powers and Functions

2.3.1 Role of local government: municipal water services delivery

Local government has the Constitutional power and function, and duty to, plan for and deliver water and sanitation services. It has legislative and executive power regarding the function. An aspect of delivering municipal services is taking steps to ensure that there is access to sufficient water resource for the treatment and supply of potable drinking water. As the water services authority (WSA) local government is empowered to set the tariffs for the sale of domestic potable water and sanitation services and revenue collection and management. Because of being the WSA, a municipality is a “water user” under the National Water Act, 1998. The National Water Act regulates the abstraction and discharge of water, in terms of the National Water Act and regulations and standards. Water reuse is regarded as a water use by DWS and as such will require to be licensed in terms of the National Water Act, 1998. In deciding whether to grant a water license for water reuse DWS (or its duly mandated authority the catchment management agency (CMA)) will consider not only the project, but also the broader catchment management plan and potential impact on the water resource and other users downstream. This process is further considered in 4.3.2 below. In terms of the National Water Resource Strategy, municipalities can include considering use of reclaimed or remedial water in the resource mix.

As a water user, the municipality must also comply with the suite of environmental legislation including the National Environmental Management Act, 1998 and South Africa’s commitments in its Climate Response Strategy. This regulates design and build of infrastructure, as well as operations.

The WSA must develop and adopt a water services development plan (WSDP) in terms of which it must contain details regarding the future provision of water services and water for industrial use and the future disposal of industrial effluent, including the water sources to be used and the quantity of water to be obtained from and discharged into each source⁵.

A key issue for water reuse projects is the quality and standards of the wastewater and reclaimed water. The Drinking Water Standards (SANS241) do not specifically provide standards for reclaimed water, although DWS Water Quality Guidelines (1996) can be consulted for guidance. Quality standards to be achieved will depend on the intended use of the reclaimed water, whether direct or indirect. Specifically, with indirect water reuse the quality of water discharged back into the resource is regulated by a water use license issued in terms of the National Water Act (1998) and these conditions are captured within the conditions of the water use license. International experience indicates that operators choose to rather be contractually measured to achieve water standards, rather than to be obliged to undertake specific processes (i.e., output based contracts rather than technology and process input specific).

2.3.2 Role of national government

National government has powers and functions regarding local government including both regulating and supporting them. The legislative framework for water reuse projects is complex and multi-sectoral with several key documents and stakeholders, requiring a targeted approach and supporting the need for a programmatic approach to identification, structuring and implementation of water-reuse projects. The Constitution, 1996 and the Local Government Municipal Systems Act, 2003 and the Water Services Act, 1997 directly oblige national and provincial government to support local government. This is echoed in the Climate Response Strategy. Programmatic support to local government is thus supported by the regulatory framework. In addition, the NIP 2050 indicates that the NWPP will support municipalities. The core value proposition of the WRP is that it will enable continuity of care (support by national government) between the stages of the project preparation process undertaken by the project owners (WSAs).

The national Department: Forestry, Fisheries and Environment (DFFE) is the National Designated Authority, representing South Africa on climate matters and commitments.

The national Department of Water and Sanitation (DWS) is the water sector leader.

2.3.3 Regulatory framework

The existing framework for water reuse is complex and multi-sectoral, but in principle the drivers of water reuse projects are supported in the South African national policy framework including the National Water Resource Strategy 2 (2013) and the Climate Response White Paper (2011) and the local government procurement and contracting regulatory framework. Municipalities who are WSAs for their area of jurisdiction can undertake water reuse projects as a function of their water services provision

⁵ Section 13(h)(iv) of the Water Services Act, No. 108 of 1997.

obligation, provided they have the required water use license under the National Water Act, 1998 and comply with the regulatory requirements.

From a project procurement perspective, there is no “one-size-fits-all” project structure and to structure a project, a pre-feasibility should be undertaken to identify potential options and a detailed feasibility undertaken of the preferred option. This to inform the appropriate project definition and to identify the supply, demand, technology options, funding structure and consequent contracting options, depending on the local circumstances. Once structured in principle, a detailed feasibility can be undertaken to inform the decision makers regarding the appropriate procurement strategy, contract design and implementation obligations. It can then be implemented – either internally (by the WSA itself) or by direct contract with a public sector operator (e.g. water board) or by the private sector through a competitive procurement process. The procedural requirements for feasibility, decision making and contracting will be determined by the proposed allocation of risk in the project design and proposed contracting structure. Procedural compliance should be a consequence of project structuring rather than a driver (see further Section 4: Project Preparation below).

2.4 Programme governance

2.4.1 Programme Aims

With the objective to provide a national programme to support the development of water reuse projects in South Africa, the core aims of the WRP will be to:

- Encourage the scaled development of water reuse sub-projects at municipal level;
- Support municipalities with the scaling of their reuse projects by providing support in the identification, conceptualisation and prioritisation of large-scale water reuse sub-projects, in the project preparation and the development of implementation-ready plans, and in the development of blended finance options to fund implementation;
- Assist municipalities to develop diversified projects that not only support water reuse but have extended beneficiation from aspects such as water reclamation or remediation through nature –based solutions, sludge management and beneficiation as well as energy generation from biogas;
- Create a new asset class around water reuse infrastructure.

2.4.2 Programme design elements

The WRP will be a pathfinder programme for the establishment of a broader NWPP. The NWPP aims to provide support to the other aspects of the water value chain, including water reuse sub-projects, and is envisaged to be developed over time. The programmatic approach to the development of the WRP will therefore provide ‘proof of concept’ guidance in the development of later municipal water-related programmes with certain aspects of the WRP being leveraged to support the other programmes. It is also important to recognize that there is significant scope for projects under the WRP. The needs at municipal level vary technically and in scale and, with many municipalities needing support, it is necessary to have a phased and progressive approach to developing the WRP and

providing project preparation support to municipalities. To achieve the objectives, the WRP is intended to address two core components:

- Establish a programme management office that will support and facilitate a programmatic approach: This will provide for an office that will be a “Centre of Excellence” that will support project identification and prioritization, will drive project preparation, will facilitate funding solutions, and monitor project implementation.
- Establish an enabling financial institutional environment, developing alternative funding solutions and establishment of water reuse infrastructure as a new asset class: This will develop customized funding solutions that will support the implementation of a specific asset class. This will include exploring options for blended finance, will drive innovative product and instrument design, and will undertake processes to crowd-in private sector finance (see the Financial Architecture Report for further detail).

3. PROGRAMME IMPLEMENTATION

The WRP is part of the NWPP, which will eventually comprise several sub-programmes, of which the WRP is one such sub-programme. Other sub-programmes in the NIP 2050 include the non-revenue water and private sector participation sub-programmes. The WRP will be centrally managed and implemented by a programme management office (WPO) that will report to an oversight committee (OC) that provides strategic guidance for the programme and oversees overall progress.

3.1 WRP Governance Structure

To give effect to the NWPP, which is broader than just the water re-use sub-programme (WRP), it is proposed that the following governance structures are required:

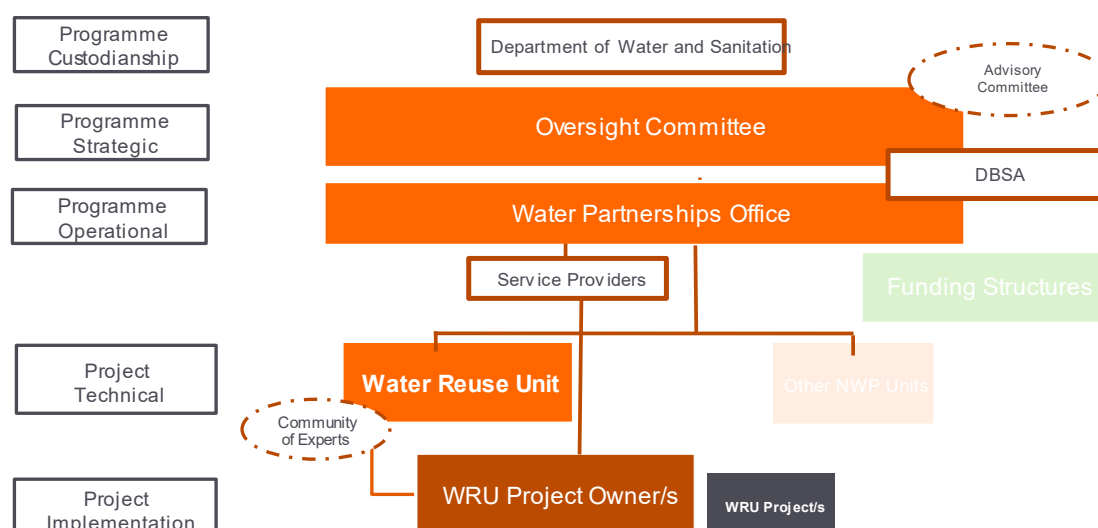


Figure 1 NWPP governance structure

The organisational structure recognises and respects the power and function and accordingly roles of local government as Project owner. It further allows for scalability as the water reuse project pipeline grows and or sub-programmes are implemented. It distinguishes strategic oversight of the Programme, and the necessary co-ordination at national level, with the need to decentralise implementation at local project level. The Water Partnerships Office (WPO) is established as a centre of excellence to support the intended outcomes of the water reuse sub-projects.

A key element of the success of the WRP will be the establishment of an effective and efficient WPO with effective oversight through an OC. The WPO as the lead entity for the WRP will play a central role in initiating, procuring, and overseeing interventions undertaken by the WRP. As such the WPO will require a minimum threshold of capacity and competency, supported by a suite of operational procedures and instruments. This will position the WPO as being recognized for its technical expertise,

planning ability, project management capability, financial structuring competencies, trusted delivery and accepted by stakeholders as a reliable organisation. Noting the technical and institutional complexity of water reuse the WPO must be able to demonstrate the capability to champion and facilitate the implementation of water reuse sub-projects. This will require the WPO to have capability to collaborate with the qualifying agencies and organisations.

Detailed roles and responsibilities of the structures, bodies and committees are discussed in 3.2 below.

An organogram for the WPO is proposed in 3.2.4

3.2 WRP roles and responsibilities

Figure 2 below indicates the roles and responsibilities of the various governance structures, which is discussed further in this section below.

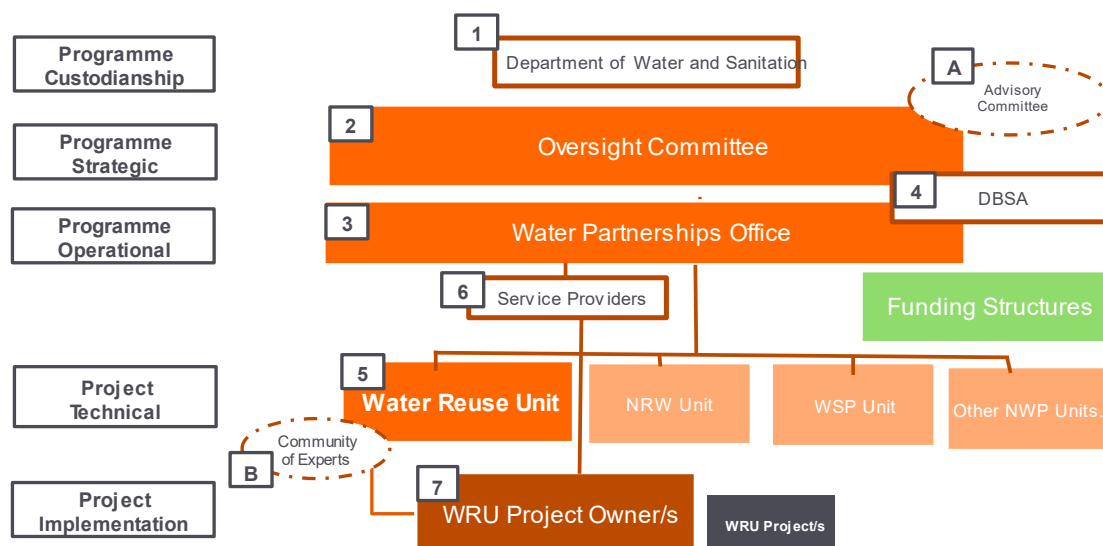


Figure 2 WRP roles and responsibilities

3.2.1 NWPP Custodianship

The national Department: Water and Sanitation (DWS) is the custodian (**Structure 1**) of the National Water Partnerships Programme (NWPP).

DWS is the water sector lead and as such has the mandate to ensure sustainable water resource management and development, as well as oversee/ regulate that municipalities provide water services according to national norms and standards.

The roles and responsibilities of the programme custodian includes:

- **Sector Leadership:** DWS is the water sector **leader** responsible for the management and development of water resources, as well as the regulation of the provision of water services.

As the leader of the water sector, there is a need to provide ownership and strategic leadership as recognised by the proposed establishment of the National Water Partnerships Programme (NWPP) under the National Infrastructure Plan 2050.

- **Facilitate buy-in:** Acting as “programme sponsor” DWS together with the support of the OC will champion the programme and act as the link between the programme, the key players in the market and the private sector to facilitate involvement in the programmes implementation. Specifically, DWS will rely on COGTA and SALGA to support liaison with municipalities to encourage engagement with the WRP.
- **Ensuring information exchange:** Noting that the WPO will require a range of data and information to undertake its role to support project preparation, the programme owner will play a key role in ensuring there is access to this.
- **Unlocking challenges:** Provide support in unlocking key challenges and obstacles that the WPO and implementation may face and that require this level of escalation.
- **Financial support:** Where there are shortfalls in the budget that impact upon the ability of the WPO to perform its functions, DWS as Programme Owner will show leadership in facilitating alternative sources of financial support for the programme.

The key activities have been settled in a memorandum of agreement (MoA) concluded between DWS as programme custodian and DBSA as accredited entity and agent of the executing entity. The South African Local Government Association (SALGA), an entity established to represent local government, is also a signatory to the MoA, recognising the role of local government as Project owners.

Key activities of the programme custodian include, without limitation:

- Custodianship of the National Water Partnerships Programme, demonstrating Country ownership;
- Nominate the respective representatives to the OC;
- Chair the of OC;
- Provide policy guidance to OC to develop and establish various sub-programmes;
- Ensure statutory compliance of the programme;
- Provide budgetary support for any shortfall in WPO operation expenses;
- Liaise with the various role-players in the market to select and prioritise projects for the WPO to coordinate the preparation, financing and implementation of the Water Programme;
- Make available all relevant information to the WPO to fulfil its role and responsibilities;
- Assist in liaising with municipalities to opt-in to WRP;
- Assist in facilitating private sector involvement in the implementation of NWPP; and
- Assist with the communication and education strategy around the NWPP.

3.2.2 NWPP Oversight

An OC (**Structure 2**) will oversee the NWPP at a strategic level and to administer management support and guidance to the WPO. The OC will be made up of nominated representatives from programme custodian DWS, and the Development Bank of Southern Africa (DBSA). Recognising the role of local

government as project owners, DCOG (through MISA and decentralised provincial offices) and SALGA will be invited to participate manage the risk of buy-in and participation from municipalities. Given the novelty of project preparation and funding structure and the imperative to access partnerships, NT will also be invited to participate in the OC. If required and appropriate, DFFE will also be invited to join given its role in leading climate change and in environmental authorisation processes, and in its capacity as National Designated Authority.

Each party will nominate its representative. Recognising the strategic objective of the OC the representatives will be senior officials with the ability to commit the represented parties in decision making processes and with reasonable effort to ensure continuity of representation at engagements. The role of the OC will be (amongst others) to:

- **Provide strategic direction:** DWS and DBSA will appoint the Head of the WPO outlining performance criteria and delivery targets for the Head and the WPO, after consultation with OC members. The OC will provide ongoing strategic guidance to the programme ensuring that linkages are made to a wider array of sectoral processes and projects, and institutions. In so doing the OC will be aware of programmatic risks and will guide the WPO in managing these.
- **Oversee operational management:** Oversee the establishment of the WPO and review and approve the staff work plan and the associated remuneration. Review and validate annual work plans and budgets submitted by the WPO as well as approve the selection of projects for inclusion onto the WRP projects pipeline for project preparation support and the associate project preparation funding.
- **Maintain institutional linkages:** Report back to principals in term of programmatic progress as well as ensure there are ongoing institutional linkages that can assist the programme in its functioning and delivery.
- **Undertake periodic monitoring and evaluation:** Meet regularly to review the progress made by the WPO in terms of annual work plans as well as aspects of quality. As such the OC will advise on adjustments in approach and methods. This will include amendments to standardised documents and instruments to ensure that these are improved. The OC will also ensure compliance with the policies, priorities and budgets of government and NT.

DBSA will participate in its capacity as Green Climate Fund (GCF) accredited entity and WPO managing agent. DBSA will act as management agent of the WPO for a period of five years or until such time that the WPO is institutionalized.

National Treasury will possibly participate in the OC its capacity as controlling national fiscal transfers and the annual Division of Revenue Act and regulatory oversight of municipalities and PPP projects under the Municipal Finance Management Act. It will further provide support for project preparation through the Government Transaction Advisory Centre (GTAC). It will facilitate statutory approvals required from the respective party; provide fiscus support in form of budgetary assistance and assist with the streamlining and fast tracking of the funding and implementation options, including PPPs.

DCOG will possibly participate in the OC its capacity as regulator and supporter of local government, with its entity MISA and its decentralised provincial offices. The role of COGTA and MISA is to provide more operationally focused support across the municipal landscape and supporting municipalities to meet their regulatory requirements.

SALGA will possibly participate in the OC in its role as representative of organised local government.

DFFE will possibly participate as sector leader on climate change and authority on environmental approval processes.

The key activities of the parties participating in the OC will be settled by agreement between the Programme Custodian DWS and DBSA and included in a mandate document of the OC. The mandate document will be provided by the Programme Custodian and DBSA to parties invited to participate in the OC. The OC mandate document will elaborate on the key activities of the OC including without limitation, the processes relating to:

- Appointment of the head of the WPO;
- Approval of an annual implementation programme (PIP), supporting budget of projects, and ensure compliance with government and NT policies, priorities and budgets;
- Review and approval of staff work plan and remuneration;
- Review of the progress of the operations of the WPO;
- Meetings at agreed intervals to review programme progress;
- Report back to respective principals;
- Appointment of auditors and approval the financial statements;
- Approval of the selection of projects for project preparation and the associate project preparation funding; and
- Determination of process for submission of prepared projects for funding applications process.

3.2.3 NWPP Accountability

Stakeholders with vested interest in the NWPP will be invited by the OC to participate in the Advisory Committee (**Structure A**). The role of the Advisory Committee will be to provide strategic advice to the Oversight Committee, noting that it will have no binding decision-making ability only advisory capacity. It will further play a strategic role in marketing the NWPP and the WPO and Units and assist with “on-boarding” municipalities. It will advocate for political support and unblock issues where required. If a Project is designated a strategic integrated project (SIP) in terms of the Infrastructure Development Act, it will liaise with the Inter-Ministerial Committee and Infrastructure South Africa (ISA) as required. The advisory committee will be made up of industry stakeholders in the public sector including without limitation SALGA, Water Research Commission, etc. Industry stakeholders will be identified to participate in the Advisory Committee and invited by the OC. Key activities of the Advisory Committee could include:

- To provide strategic advice to the OC, if requested by the OC;

- Play a strategic role in marketing the NWPP and WPO and assist in “on-boarding” municipalities;
- Advise the OC on technical matters relating to the NWPP sub-programmes;
- Present stakeholder concerns and advise on improvements on the NWPP sub-programmes;
- Possibly advocate political support for the NWPP;
- Monitor the NWPP Programme implementation;
- Provide guidance and operational parameters to the WPO, if requested by the OC;
- Unblock issues where required;
- Promote and communicate the NWPP’s results / achievements;
- Ensure that communication channels are open/facilitate high level discussions with key stakeholders; and
- Recommend projects to be considered by the WPO for implementation.

3.2.4 WRP Operations

To give effect to the WRP, at operational level a programme management office, referred to as the “Water Partnerships Office” (WPO) (**Structure 3**) will be the executing entity. The objective will be to establish a structure at arm's length to the Programme Custodian DWS and the accredited entity DBSA with the required capacity to roll out various water services programmes, including the WRP. It aims to be established as a centre of excellence, mandated by the OC and will provide transversal programmatic support to the units implementing the various municipal water programmes and projects. The WPO will report to the OC on all matters and to the DBSA on administrative matters. The WPO will be housed by the DBSA, until such time as the WPO is institutionalised and/or the NWPP terminated, subject to any agreements and conditions imposed as the Executing Entity of the WRP under any Funding Approval Agreement with the GCF. Whilst the WPO has no legal institutional status all contracts and bank accounts will be procured and managed by the DBSA as executing entity.

The establishment of the WRP will be catalytic in providing technical and financial transaction support to identify, structure and implement water reuse sub-projects. The WRP will be structured to provide municipalities with a centralized pool of resources that will support water reuse sub-project initiation, preparation, financial solutions and readiness planning. The WRP will aim to develop a progressively phased and standardised approach that is built upon criteria and principles to ensure ongoing delivery. The core functions of the WRP, through the WPO, will be to:

- **Create the enabling environment:** Support water reuse sub-projects through addressing various policy, regulatory and institutional aspects and creating an environment that is conducive to prepare and implement water reuse sub-projects at scale;
- **Support project preparation:** Support project scoping, preparation and design towards developing bankable projects, as well as developing a pipeline of projects;
- **Provide procurement support:** Support project preparation by scoping, procuring and providing appropriate contracted capacity by undertaking procurement and management of the service provider capacity, for the WPO, WRU and the project owners;

- **Develop administrative standardisation:** Provide a range of appropriately standardised documentation, tools and instruments that support procurement, contracting, loan agreements, and monitoring and reporting templates;
- **Facilitate best practice:** Transfer of lessons learned and best practice into project approaches will support the introduction of efficiency, effectiveness and innovation;
- **Drive technologies and innovation:** Provide expertise that can support the introduction of new technologies, through focused collaboration with its Advisory Committee (which may include representation from research institutions such as the Water Research Commission, CSIR and others);
- **Undertake monitoring, reporting and oversight:** Undertake a range of activities that assess progress and support adaptive management of projects;
- **Manage communications and knowledge exchange:** Facilitate the creation of awareness and knowledge regarding the range of benefits from water reuse projects.

Key activities of the WPO will include:

- Assist the Programme Custodian (DWS) and Project Owners (municipalities) to implement the WRP;
- Undertake the OC and WPO secretariat function - schedule committee meetings and keep records of monitoring and evaluation of the programme;
- Produce a guide for water reuse project implementation;
- Plan the WRP with estimated annual and multi-year budgets;
- Compliance function – regular reporting and audits (internal and external);
- Develop organisational requirements like job specs etc. and appointment of staff;
- Ensure that legislation and regulatory related issues are highlighted and propose amendments if applicable;
- Exercise duty of care of the office and take responsibility for all technical content of programmes;
- Develop various technical models/approaches to ensure standardized methodologies;
- Develop standardised procurement documentation including tender specifications and agreements;
- Invite and prioritise participation of private sector;
- Receive municipal project applications and screening thereof;
- Support Project owners to initiate, plan and prepare feasibly bankable water reuse projects and keep OC updated of developments;
- Engage with DBSA SCM to ensure that there is a panel of services providers for project preparation support;
- Support WRP procurement processes in consultation with DBSA SCM;
- Assist with evaluation of bids and contract negotiations/award; and
- In consultation with the Infrastructure Fund (IF) assist project owners with financing through the development of appropriate blended finance solutions for the various sub-programmes.

3.2.5 The Development Bank of Southern Africa

The DBSA (**Party 4**) plays several roles in the WRP. It is the accredited entity of the Green Climate Fund (GCF). It is a recognised developer of national programmes (through its Programme Development Unit) and provides project preparation support (through its Project Preparation Unit) with an established track record in both aspects (e.g. the renewable energy and student accommodation programmes) . It is an independent development financier and arranger. If an application to GCF is successful, it will sign the Funded Activity Agreement (FFA) GCF as executing entity. It will participate in the OC as (i) the accredited entity and (ii) as the managing agent of the NWPP (executing authority), being sure to keep its roles separated. It will provide all administrative services such as procurement of goods and services through DBSA supply chain management processes, procurement of panels of service providers, entering into legal contracts with service providers and employees. It will also operate a ring-fenced bank account for the WPO function and make payments on behalf of the WPO. The DBSA will receive fees for these services on a cost recovery basis – approved annually by the OC.

Key activities of DBSA as managing agent of the WPO will include:

- Assist with establishment of the WPO;
- WPO will report to the DBSA on all administrative matters;
- Facilitate with the appointment of the OC;
- Finalise the job specs for the Head of the WPO and the appointment thereof;
- Assist WPO Head with staffing organogram;
- Provide administrative and legal mechanism for the appointment of human resource;
- Assist with procurement of goods and services through DBSA SCM;
- Assist with procurement of panels for service provider;
- Enter into legal contracts on behalf of the WPO's functions (both staff and service providers);
- Manage oversight of the operating budget of the WPO, inclusive of external audit;
- Provide ring fenced bank account for WPO;
- Make payments on behalf of WPO;
- Through its Project Preparation Unit, assist the WPO with project preparation activities;

3.2.6 Water Reuse Unit

It is envisaged in the NIP 2050 that a number of operational units will be established within the NWPP, including the Water Reuse Unit (WRU) (**Structure 5**) which will house the technical support for the identification, preparation and implementation oversight of water reuse sub-projects. The WRU will recommend and approve the sign off on the quality of work and reports completed by the Service Providers and advise on any variation or amendments to the approved project costs. They will further advise on and ensure conformity to external funding proposal criteria and requirements. If municipalities bring projects to the WRU, and the projects are not appropriate for the water reuse, the WRU will advise

the WPO to either restructure the municipalities needs and cross-refer to other units within the WPO as and when they are established, such as the non-revenue water unit.

3.2.7 Community of Experts

If appropriate a unit within the WPO will have its own Community of Experts (**Structure B**). For water re-use projects this will include water reuse sector experts to provide technical support to the preparation, design and structuring of water re-use projects. The Community of Experts will report to the WRU and will provide strategic guidance and input into the works done by the service providers on water reuse sub-projects, taking into consideration the scope of work and work plan. It will make recommendations to the WRU. The work of the Community of experts will be limited to strategic guidance and input and it will not be able to alter the scope of work, budget, timeline or design of the projects or service providers. Typical participants in the WRP Community of Experts will include SALGA, WRC, WISA, Water Boards, TCTA, NT/GTAC, MISA, etc. Key activities of the Community of Experts will include:

- To provide strategic guidance and input into the work done by the WRU Service Providers; taking into consideration the scope of work and work plan;
- To review, comment on, and make recommendations to the WRU on interim and final deliverables produced by the Transaction Advisor/Project Consultant;
- Inform the PSC and the Transaction Advisor/Project Consultant of work done previously, or in process that may impact on or be relevant to the programme design, deliverables and intended outcomes; and
- The work of the COE will be limited to strategic guidance and input, and it will not be able to alter the scope of work, budget or timeline for the design of the programme.

3.2.8 Service Providers

Service Providers (**Structure 6**) will be procured and managed by the WPO to work closely with the WRU project preparation and implementation support processes. This is directly related to project implementation capacity and will be scalable and relevant to both the NWPP and WRP needs. The WPO, through the DBSA, will procure two key service providers, namely:

- **Project Preparation Panel:** a panel of service providers to provide the WRU and the municipalities with professional services for project identification and preparation. This will include supporting with the development of strategic cases, and full detailed business cases. The capacity could also be expanded to the procurement of implementation capacity if the delivery models and funding opportunities require that function. Key activities of the Project preparation service providers will be to directly support municipalities to undertake their project preparation activities including scoping, feasibility and procurement. Although procured and contracted by the WPO (DBSA), the service providers will work directly with the project owners in the project preparation process. This structure will assist in the delivery of the key value proposition of the WRP, that the WRP will enable continuity of care between stages on the

project preparation process. This capacity will further enable the achievement of the objective of becoming a centre of excellence.

- **Independent Blended Capital Facilitator (IBCF):** a contracted service provider to provide the WPO with professional blended capital and financing services in respect of each project. The IBCF will be highly skilled and should demonstrate financing and investment skills across numerous capital sources. Furthermore, the IBCF should be independent, meaning not conflicted in providing its own capital into projects in the programme, to allocate capital to each project to optimise the climate finance objectives and long-term financial sustainability of each project.

3.2.9 Project Owners

Municipalities will be the primary water reuse sub-project owners and ultimate beneficiaries of the projects and will be required to work closely with the WRU and Service Providers to prepare and implement the water reuse sub-projects. They will identify projects and/ or be engaged when the WRP identifies opportunities. As water services authorities (WSAs) they will need to lead the project preparation process, with direct engagement with the WRP and the WPO. As project owners, the relevant WSAs will request project preparation support and if approved, will be allocated a project preparation transaction advisor to assist with the preparation of the water reuse sub-project. The WPO will facilitate the process with the key aim of encouraging scaled and effective development of water reuse at municipal level. Project owners will ultimately be accountable for identifying, conceptualising and prioritising of large-scale water reuse sub-projects.

Key activities of Project Owners include:

- Proper water services delivery planning;
- Water use licensing;
- Identification of opportunities for water reuse sub-projects;
- Application for project preparation support to the WPO;
- Working with the project preparation service provider to prepare the project, including providing all information required and receiving and considering reports timeously;
- Taking decisions at the appropriate time to allow the project preparation process to proceed as is feasible, including prioritisation of the project in the Integrated Development Plan (IDP) and Infrastructure Master Plan of the municipality; engaging DWS on the water licence process; keeping Council timeously advised of developments etc.;
- If the project is approved for implementation, facilitating a procurement and contracting process in accordance with the MFMA and SCM requirements, including engagement with National treasury if it is a PPP;
- Monitoring, evaluation and reporting on the water reuse sub-project as is appropriate at the various project development phases;
- Development of contract management plan and capacity to ensure implementation of the water reuse sub-project.

3.3 WRP Procurement Plan

To give effect to the NWPP governance structures the following contracting arrangements will be required, as discussed more fully below the figure. This will give rise to the mandates and decision-making powers of the various structures.

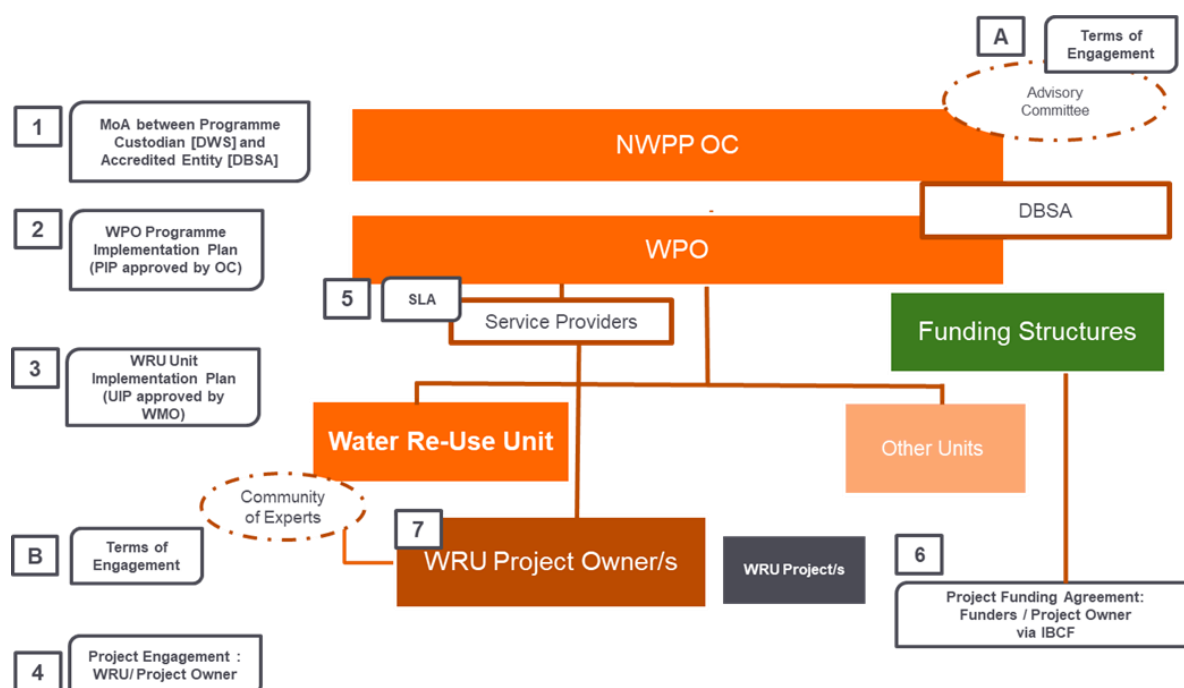


Figure 3 WRP governance contracting requirements

National Water Partnerships Programme Memorandum of Agreement

An agreement (**Document 1**) between the Programme custodian DWS and DBSA will be signed. This will set out the objective of the NWPP, the roles and responsibilities of the respective parties, funding arrangements, and the obligations regarding the WPO. It will include a terms of reference for the Oversight Committee. DBSA will facilitate this contracting process and once concluded will act as secretariat of the OC to facilitate contract implementation and until such time that the WPO has been established.

Other interested stakeholders (DCOG, MISA, SALGA, NT and DFFE) will be invited by DWS and DBSA to participate in the OC and will be issued with an OC mandate document setting out roles and responsibilities. Non-participated by any interested stakeholder will not prevent the Programme Custodian and DBSA from executing their responsibilities in terms of the MOA.

3.3.2 Programme Management Office Implementation Plan, including budget

The WPO implementation plan (PIP) (**Document 2**) will be developed by the WPO annually and submitted to the OC for approval. Once approved, the WPO will implement and report against it. It will set out the roles and budget of DBSA in Programme implementation, including NWPP and WRP development and water reuse sub-project preparation, as well as the capacity requirements and how

they will be met. It will include the budgeting of the various units, differentiating between the sub-programme budgets (i.e., each sub-programme will be ring-fenced with its own costing and funding structures).

3.3.3 Water Reuse Unit Implementation Plan, including budget

The WRP implementation plan (**Document 3**) will be developed by the WRU and submitted to the WPO for consideration and approval. It will set out all project information and capacity and budget requirements for the WRP. The WPO will include this detail in the WPO's Programme Implementation Plan (PIP).

3.3.4 Project Owner agreements with WPO

The WRP project owners are primarily the municipalities as water services authorities for their areas of jurisdiction. The project owners will engage the WRP for support through the WPO and for specific water reuse support through the WRU. Engagement will be through formal written correspondence (**Documents 4**) including on-boarding contractual commitments, signed by the required authority, as required at various stages and gates of the project preparation process.

3.3.5 Service provider service level agreements

The WPO, through the DBSA, will procure two key service providers, namely the panel of service providers to support project preparation and the IBCF. Both will be competitively procured and contracted (**Document 5**) by the DBSA to address the specific performance requirements of the WRP. The contracts will set out the scope of anticipated work and remuneration schedules. Service providers will only be engaged and paid when there is specific work to be done for the WRP. When project owners request project preparation support, the service providers will be allocated from the panel and an addendum to their framework contract will be concluded setting out scope and remuneration. They will be allocated to work with a specific municipality. They will be paid by the WPO as set out in the addendum scope of works tailored for the project preparation phase and associated performance requirements. The WPO (via DBSA SCM) will manage the procurement and contracting process of the panel of service providers.

3.3.6 Project Funding Agreements

Project funding agreements (**Document 6**) will be concluded between the project owners and the funders. The funding agreements will be formal agreements between the project owners and the lenders and or grant providers. The structure of the documents will depend on the structure of the funding arrangements (see Financial Architecture Report). The WPO and the IBCF will facilitate the process of arranging and securing project funding.

3.3.7 Advisory Terms of Engagement

The OC will identify and invite members to participate in the Advisory Committee. The OC will develop and issue a term of reference (**Document A**) with engagement requirements and roles and responsibilities.

The WRP will identify and invite members to participate as a Community of Experts. The participation will be regulated by terms of reference (**Document B**) which will be issued by the WPO to the WRP Community of Experts. Participation will be voluntary.

Neither the Advisory Committee nor the Community of Experts will have decision making authority, only the ability to advise.

3.4 WRP standardised documentation

It is a key objective of the WRP to drive efficiency by standardising processes and documentation for water reuse opportunities. There will need to be development and where appropriate standardisation of WRP documentation and water reuse sub-project documentation regarding project preparation (scoping, feasibility and procurement) and implementation (contracting and monitoring and reporting). A key value that DBSA brings to the programme development process is its existing experience and capacity in developing and implementing programmes. It has indicated it has a suit of standard documentation including for example at a programme level Document1: MOA for the OC and terms of reference for procurement of panels of service providers. In addition to the documents identified above, below Table 4: WRP standardised project documentation is a suggested preliminary list of standardised documentation to be considered for development by the WPO for the WRP.

3.5 WRP implementation plan

The WRP implementation plan is represented as follows:

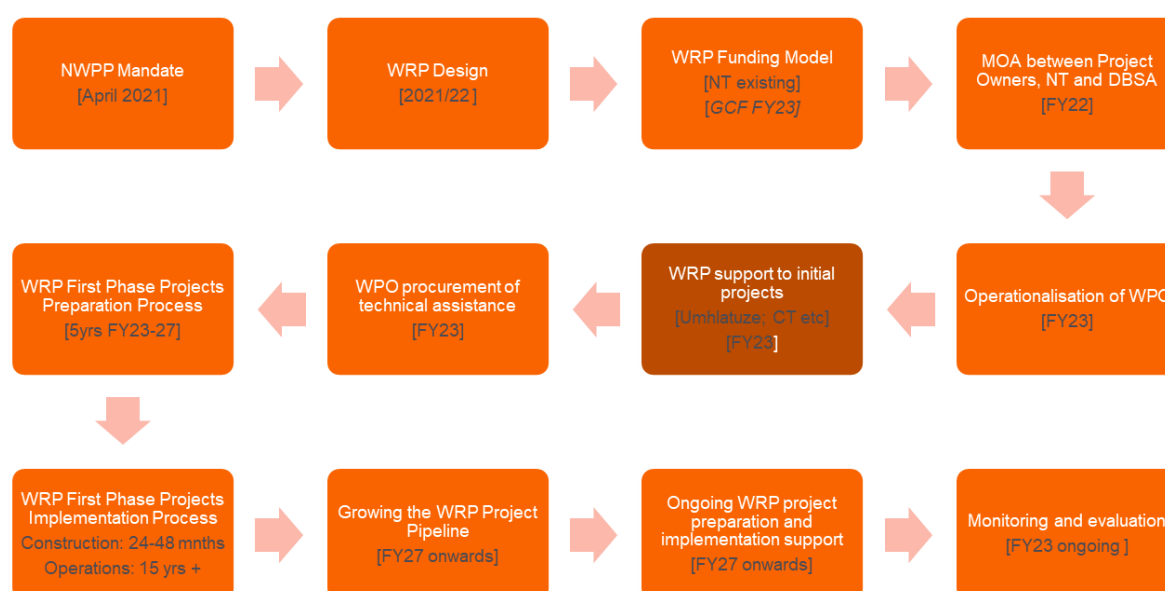


Figure 4 WRP implementation timeline

The WRP takes its mandate from the PICC resolution dated April 2021. DBSA has undertaken the design process and is underway with the GCF funding proposal. National Treasury has already committed funding for the operational and preparation activities of the NWPP, some of which has been allocated for WRP development purposes. The WRP implementation time frames take into

consideration the phased approach of the development of the NWPP and the WPO. The following assumptions are made:

- DBSA is contractually engaged and funded to develop the WRP and establish and implement the WPO;
- The programme custodian (DWS) will sign the MOA and participate in the OC as scoped;
- The project owners (municipalities) identified in the Market Study will participate in the WRP and take decisions timeously to allow for progressive project development;
- The WRP funding made available by National Treasury to fund the development of the WRP will be sufficient to establish and operationalise the WPO, including the procurement and appointment of service providers to support project preparation;
- The DWS water use licensing processes (as per 4.3.2 above) and DFFE environmental authorisation processes do not prohibit the structuring and implementation of water reuse sub-projects.

3.6 WPO Structure

To operationalise the WPO, the organogram of the WPO is suggested as follows:

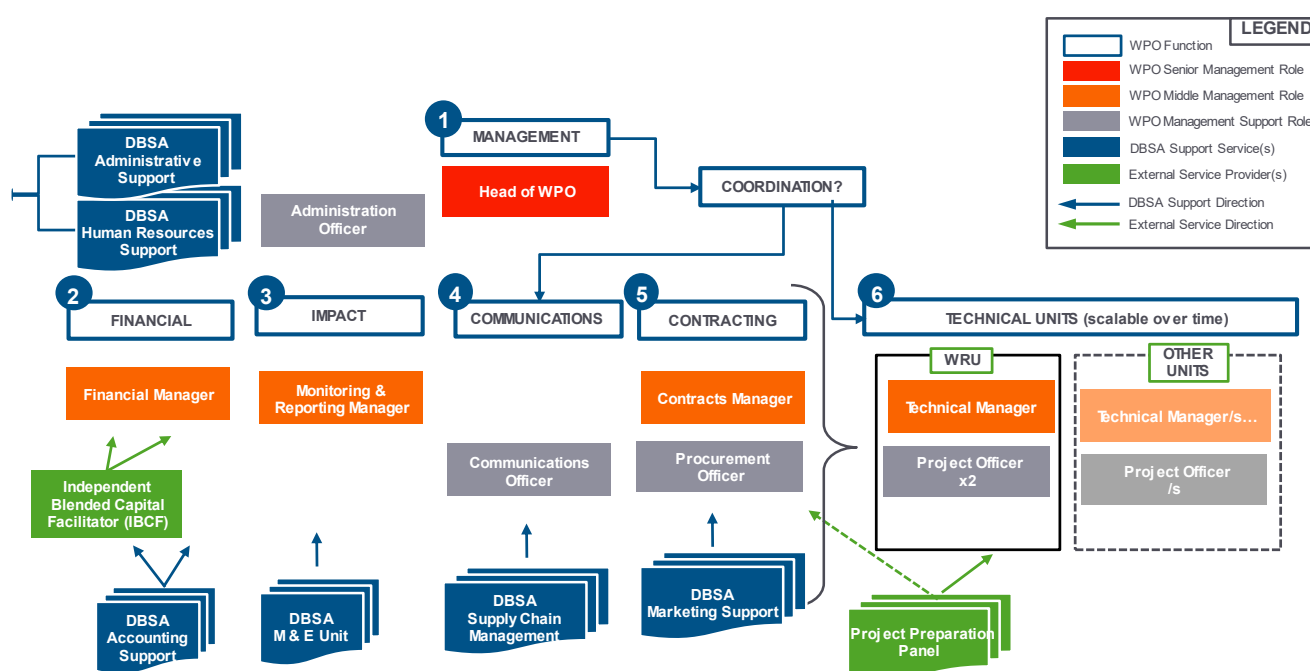


Figure 5 WPO Proposed Organogram

The indicative core tasks are illustrated in Table 1.

Table 1: WPO functions and tasks

Function	Core Tasks
WPO Executive Manager <ul style="list-style-type: none"> 15 yrs experience Engineering/ financial Post Graduate Qualification 	<ul style="list-style-type: none"> Develop WPO strategy, aligned to mandate from OC Implement and maintain governance and organisational structures Ensure duty of care for the Programme Develop internal governance and administrative reporting measures WPO management and coordination Contract WPO capacity requirements to give effect to roles and responsibilities Develop WPO annual business plan Lead and oversee programme execution Reporting to and engaging with OC on programme and its own internal activities
Office Administration Manager <ul style="list-style-type: none"> 10 yrs experience Tertiary qualification 	<ul style="list-style-type: none"> Coordinate administrative functioning of the office Maintain secretariat function for the WPO Head as well as OC Support with archiving, filing and reporting Support WPO with arrangements and logistics
Financial Manager <ul style="list-style-type: none"> 15yrs experience CA / Financial Post Graduate Qualification 	<ul style="list-style-type: none"> Lead financial planning for the WPO including long-term investment requirements, financial forecasts etc Develop WPO annual budgets and manage cash flows with support of DSA Oversee WPO financial management and approve payments for each project Ensure compliance with financial systems of DBSA Work with WPO Head and DBSA to develop operational efficiencies Undertake financial analyses and comply with internal / external finance and resource reporting requirements Develop procedures and tools to support finance and resource management and reporting tasks Monitor and evaluate the programme implementation in terms of financial indicators Provide support to programmes in developing appropriate blended finance solutions for projects
Monitoring & Reporting Manager <ul style="list-style-type: none"> 8 -10 yrs experience in programme / project management with implementing M&E systems Tertiary qualification in administrative 	<ul style="list-style-type: none"> Support the development of WPO M&E and reporting frameworks (incl. log frames, performance indicators, targets as well as MTR, impact assessments, gender action plan etc etc) Work with WRU and oth technical units to ensure project baseline data is properly collated Manage and ensure monitoring and reporting compliance supported by M&E database management

Function	Core Tasks
management or M&E / risk management	<ul style="list-style-type: none"> • Develop gender action plan and monitor compliance • Develop programme guidelines for risk management • Oversee and report on risk to WPO Head • Prepare the monitoring and risk reports for OC • Support WPO with progress reporting • Liaise with DBSA monitoring and evaluation unit to align monitoring and reporting requirements are aligned and met • Support project level capacity building on M&E systems and reporting
Communications Manager <ul style="list-style-type: none"> • 5-8 yrs experience in communications and stakeholder processes • Tertiary degree in communications 	<ul style="list-style-type: none"> • Develop programme communications and stakeholder engagement strategy and plan • Implement communications strategy and plan • Implement stakeholder engagement strategy and plan • Provide support to WRU and Technical Manager on communications and stakeholder engagement processes • Prepare bespoke materials to support projects and build awareness and capacity • Manage information exchange platforms (e.g. website, social media etc) • Monitor and report on progress regarding communications and stakeholder engagements
Contracts Manager <ul style="list-style-type: none"> • 10 yrs experience in contract management or procurement (SCM) • Tertiary degree in law, business management, contract management or procurement 	<ul style="list-style-type: none"> • Lead and manage programme procurement liaising with DBSA SCM services • Prepare comprehensive programme procurement plans • Provide technical input for preparing tenders, supporting DBSA SCM with preparation of tenders for procurement of service providers • Participate at selection process for service providers and assist with award of contracts • Manage service provider contracts • Develop and standardise procurement documents (Terms of Reference, Procurement Guides etc) working with WPO Head, WRU Technical Manager and DBSA SCM • Prepare all legal documentation for transferring the ownership of any asset procured to local municipalities or entities responsible for their operation • Undertake monitoring and reporting on progress, working with M&E Manager to track progress and undertake reviews

Function	Core Tasks
Procurement Officer <ul style="list-style-type: none"> • 5 -7 yrs experience in contract management or procurement (SCM) • Tertiary degree in law, business administration, contract management or procurement 	<ul style="list-style-type: none"> • Provide procurement support liaising with DBSA SCM services • Provide support in preparing tenders, supporting DBSA SCM with preparation of tenders for procurement of service providers • Coordination and support to selection process for service providers and assist with award of contracts • Administrative support to service provider contracts • Provide communications and information support on procurement requirements • Support monitoring and reporting on procurement progress
Technical Manager <ul style="list-style-type: none"> • 15 yrs experience in wastewater treatment and water reuse • Engineering degree (Pr. Eng registered) 	<ul style="list-style-type: none"> • Develop and oversee the WRP Project pipeline • Engagement manager with municipalities and projects • Coordinate project preparation support and provision of specialist technical expertise on a draw down basis • Oversight and review on project preparation support and feasibility studies to provide technical input and ensure technical and financial rigour • Undertake monitoring and evaluation on project progress from technical and financial perspective (including environmental and social safeguards) working with the M&E Manager and Financial Manager • Assist project owners with financing through the development of appropriate blended finance solutions, working with Financial Manager • Design and conduct capacity building programmes for local municipalities to support project pipeline and implementation
Projects Officer <ul style="list-style-type: none"> • 7 yrs experience in wastewater treatment and water reuse • Engineering degree (Pr. Eng registered) 	<ul style="list-style-type: none"> • Support the development and oversight of WRP Project pipeline • Support and coordinate engagement with municipalities and projects • Coordinate information collation and technical requirements to underpin project preparation support requests • Report to Technical Manager on project preparation support and feasibility study progress • Prepare project level progress reports to support Programme M&E • Assist project owners with project management support and guidance • Support capacity building programmes for local municipalities

4.PROJECT IMPLEMENTATION

The WPO will have to undertake a suite of procurements to support projects and the implementation of the WRP. This most likely will focus upon contracting professional support for project preparation support and the Programme development and implementation but could include specific equipment that is required.

4.1 Project preparation

The Programme as proposed to be structured above, will have both strategic and operational capacity to support Project Owners to conceptualise, prepare, finance and implement water reuse projects. There will be a number of steps to be followed, with various stakeholders having roles and responsibilities. The WPO will support the WRU and the Project Owners to follow due process by establishing transversal standardised operating procedures.

Alignment of project preparation will need to take into consideration the PPP requirements in terms of the MFMA and align to the latest 5-Case methodology. The processes are diagrammatically represented as follows:

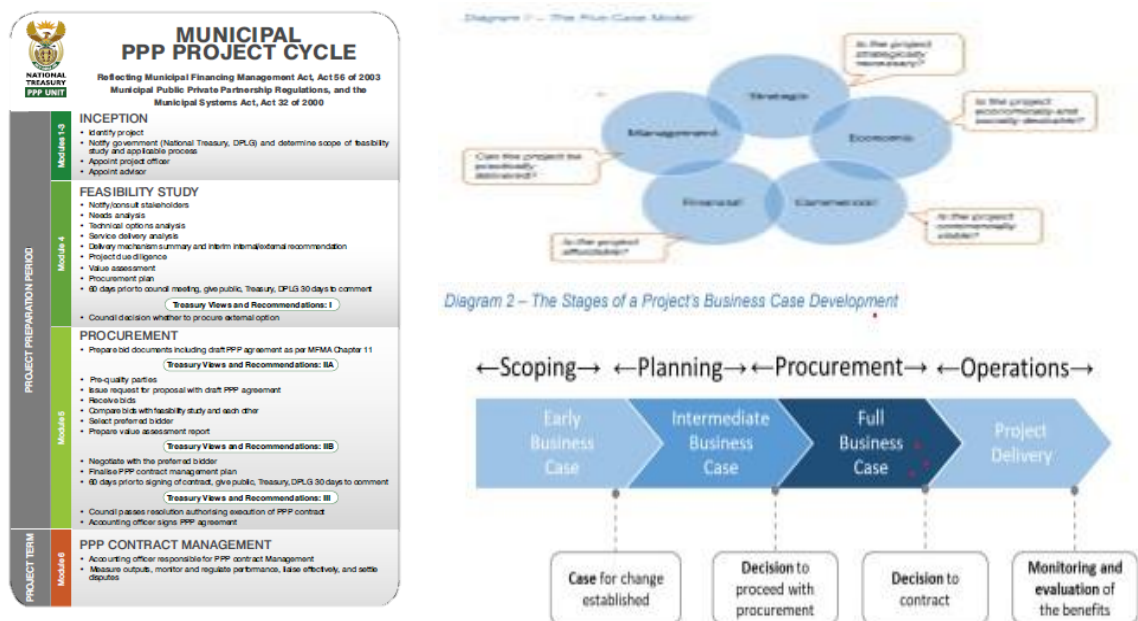


Figure 6 Project Preparation Stages

The project preparation process will follow the following high-level stages: the 3-stage and 5-Case (strategic, economic, commercial, financial, management) model (5CM) process which develops over time. As illustrated above, the 5CM comprises 3 stages, the Early Business Case (EBC), the Intermediate Business Case (IBC) and then the Full Business Case (FBC). Each one of the cases comprises a Strategic Case, Economic Case, Commercial Case, Financial Case and Management

Case. These 5 cases therefore form part of each of the EBC, IBC and FBC and are progressively developed as one proceeds through the 3 cases.

This process will be aligned to the various existing regulatory requirements of infrastructure and contracting by local government and the processes being developed by Infrastructure South Africa (ISA):

Table 2: WRP project preparation activity

Project Preparation Stage	Outcome	PPP Process	ISA 3-Stage 5-Case Model Process
Identification & Selection	Project Owner planning and application for project preparation support WRU Criteria for project selection to join WRU on NWPP	PPP registration	
Scoping	Pre-feasibility study to motivate inclusion in WRU project pipeline	PPP Inception	Early Business Case: Strategic Outline Step 1: determining the strategic context Step 2: making the case for change
Feasibility	Options analysis, feasibility study & project structuring, procurement strategy and planning	PPP Feasibility	Intermediate Business Case (IBC): Business Outline Step 3: exploring the preferred way Step 4: Determining potential value for money Step 5: preparing for the potential Deal
Procurement	Project procurement Project financial close	PPP Procurement	Full Business Case Step 6: Ascertaining affordability
Implementation	Water Reuse Contract Management	PPP Contract Management	Step 7: Planning for successful delivery
Monitoring & Evaluation	Programme and project objectives achieved		

4.2 Roles and responsibilities

At each stage, there is an activity required of the OC, WPO, WRU and the Project Owner. This will be identified and standard operating procedures for document development and decision making developed by the WPO. The formal correspondence between Project Owners and the WPO/ WRU will

be structured to constitute written agreements between the parties. It will allow for a phased and gated process, facilitating that the project can be stopped at any stage of project preparation, if appropriate in the circumstances. This will result in cross-referral to other units within the Programme or the municipality can pursue alternative strategies that might have emerged in the Early Business Case (EBC) and pre-feasibility stages.

Table 3: WRP project roles and responsibilities

Project Process	Municipality	WRP Unit	WPO	OC
Identification & Selection	Apply to WRU Unit on Std Document to register project	Receive application and motivate to WPO to accept & appoint TA	Approve & Appoint TA / Reject with reasons	
Scoping	Undertake EBC / Pre-Feasibility with TA	Receive EBC / Pre-Feasibility and accept or refer back with comment If accept, recommend to WPO on next steps	On basis of EBC / pre-feasibility accept project into programme project pipeline and authorise TA to proceed with IBC / Feasibility Study	Note inclusion of Project in Programme pipeline Note funding proposal
Feasibility	Undertake IBC / detailed feasibility study with support of TA and subject to WPO conditions	Monitor progress Receive IBC / Feasibility Study and review and comment Recommend to WPO to proceed with funding arrangements	Authorise process of funding application	
Procurement	Engage with Programme Lead Arranger and structure funding arrangements, with the support of the TA and the WPO	Keep advised of developments	Participate in the funding arrangements between the Lead Arranger and the Project Owner	
Implementation	Procure Project through SCM process in compliance with MFMA (depending if on or off-balance sheet) Comply with Programme Conditions	Oversight of procurement process Principles for green procurement Use of Green Rating for water resilience projects	Progress oversight Ensure conditions are met Intervene if dispute	

Project Process	Municipality	WRP Unit	WPO	OC
	Use TA support to implement			
M&E	Report monthly to WRU Unit on Project progress and indicators	Report monthly to WPO on Project Indicators	Report Quarterly to WRU/WPO on Programme Indicators	Report six-monthly to respective stakeholders Report to GCF on GCF Indicators

4.3 Project structuring

A project is structured depending on several parameters which are informed by what is achievable and feasible in the local context. There are several technical, economic, social and environmental considerations that need to be established which inform the structuring argument. Once the project is structured, initially conceptually and then in detail, the regulatory compliance requirements can be identified with certainty to inform the contract structuring and the procurement strategy.

4.3.1 Parameters

The parameters which will influence the project structure, and the consequent regulatory requirements include:

1. **Scope:** What activities is the contract to regulate, considering the activities of design, build, operate, finance etc. (this influences the risk allocation, determination of roles and responsibilities etc).
2. **Key objective:** This sets the framework for establishing the KPIs and motivating the funding structure and sources of funding.
3. **Parties:** Who does the municipality intend contracting with? Private sector or public sector (this influences the procurement strategy).
4. **Water use licensing:** Will the regulator permit and license the water reuse activity?
5. **Social and environmental safeguards:** What are the social and environmental requirements for the project?

6. **Performance:** How will performance be measured? This is especially relevant for the undertaking regarding wastewater input from the water services provider; and reclaimed water output to be provided to off-takers. All performance requirements must be identified as these need to be costed and allocated.
7. **Funding mechanism:** How will the activities in the contract be paid for? Is there grant funding for the infrastructure? Is there a secured revenue stream against the supply of reclaimed water? Who will use and pay for the reclaimed water? How will it be paid for?
8. **Project Site:** Where will the reuse project infrastructure be developed and operated? If it is on the municipality's land it impacts the risk of hand back, especially in the case of early termination, interface with WSP function, environmental compliance requirements if it can be linked to existing infrastructure operated with similar conditions (WWTW etc) etc. and capital cost of acquisition of land on which the project infrastructure is developed. Note that there is no requirement for PPP contractors to own the land, even for green field projects. They just need contractually secured and uninterrupted right of access.

4.3.2 Water User

A key consideration for a water reuse project is access to the water (i) to be treated and (ii) reused. The impact on the project owner's existing water use arrangements as well as the impact of the water reuse project on downstream water user rights will need to be carefully considered as part of the project preparation process.

In initial engagement with DWS⁶ to get clarity on potential regulatory requirements for water reuse projects it was clarified that:

- Water discharged from a WWTW by a WSA becomes a "water resource".
- Discharge must meet the WSA's water authorisation conditions, which would include volume of discharge, where to discharge and at what quality – i.e. meeting the resource quality objectives set for a particular water resource.
- If a WSA wants to change the way it discharges by diverting the discharge to a water re-use project, that would require a change to its existing water use authorisation conditions. In considering change, DWS would do an analysis of the implications – to the resource (environmental, reserve, sea outfall discharges, etc); to the water balance of the water resource and implications for downstream users and subsequent reallocation of water.
- DWS would also need to authorise/ license the use of the WWTW discharge for re-use. The applicant to DWS would be the water user – either the WSA which would then theoretically decrease its need to access from the water resource if it is to reuse it in its water services delivery () process, or water reuse project owner.

Implications for the WRP include:

⁶ Teams Meeting between DWS and Pegasys Project Team 14 October 2021.

- The re-use of the WWTW discharge would need to be authorised in terms of S21 of the National Water Act (assuming the discharge from WWTW is a water resource and use must be authorised/ licensed in terms of the National Water Act).
- The implications to the existing WSA authorisation will be considered by DWS.
- If the re-use falls outside of the WSP function (where WSP can charge a tariff for rendering a municipal service) it is not clear that the “Project” per se will be allowed to “sell” the water to off-takers who use water other than for municipal water services delivery.

Procedurally thus,

- The WSA would need to indicate its intent to the DWS Regional Office (CMA in the longer term) and explore the implications of the planned water reuse and the various off takers.
- Supporting studies would have to be undertaken to analyse implications and impacts (on resource and downstream/ upstream users including aquatic ecosystem requirements). These would need to be undertaken prior to submission of water use authorisation amendments or new license applications. These studies would require engagement with DWS Region (CMA) as well as National DWS line functions such as National Water Resource Planning and Water Ecosystems to ascertain impacts on reconciliation strategies and other macro-planning instruments, as well as reserve determinations including both the basic human reserve and ecological reserve (resource quality objectives (RQOs)) determinations.
- Once supporting studies are completed, to support the applications (new or amendment), the turnaround time for the water use licensing process is 90 days.
- Some WSAs do not have water use licenses but rather authorisations based on existing permits. This will need to be addressed as part of the project preparation process.

4.3.3 Risk transfer

The project structuring process will be undertaken through feasibility studies. If the most appropriate project delivery model is determined to be via a PPP, this is assessed with reference to transfer of significant technical, financial and operational risk, section 120 of the MFMA and the PPP Regulations must be complied with ^[4].

4.3.4 Future financial commitment

If the contract period is likely to be longer than 3 years, and there is a financial commitment required from the municipality, a “future financial commitment” is anticipated by the contract structure. A municipality will then have to comply with Section 33 of the MFMA regarding future financial commitments. The MFMA regulatory compliance processes will involve Municipal Council approving the granting of the right and the future financial commitment, and public participation processes to ensure transparency and affording the community the opportunity to make comments or representations, and soliciting the views of national and provincial treasuries, Department of Cooperative Governance and DWS. This engagement process is anticipated and planned for whilst the

procurement strategy is developed but is implemented towards the end of the procurement process, once the contract is in its final form.

4.3.5 Right to Use, Control or Manage a Capital Asset

If the infrastructure is over R10 million and if the contract is for longer than three years there will be a need to comply with the MFMA Municipal Asset Transfer Regulations⁷ in so far as the contract amounts to the granting of the right to an operator to use, control or manage capital assets for longer than three years. This process also requires Municipal Council resolutions and an engagement process with the public and the regulators. Compliance can potentially be scheduled to run simultaneously with the MFMA Section 33 process.

4.4 Project Procurement

4.4.1 Project Procurement Strategies

Projects will be owned and implemented by the Project Owners. Projects can be procured in several ways (see Figure 7 Project Procurement Strategies below). They can be procured following traditional procurement strategies, including compliance with supply chain management requirements of the Municipal Finance Management Act. In this instance the municipality procures separate service providers to design, contractors to build, and operators to operate, the project. It funds the project itself. Alternatively, the municipality can contract directly with a public utility, such as a water board, i.e. public-public partnership. In this instance it need not allow a competitive procurement process as it contracts with the public sector. The third option is to structure and finance the project in its entirety. This would require a project finance procurement strategy and would involve a public private partnership and/ or the creating of a special purpose vehicle such as a municipal entity. The decision as to which procurement strategy to follow will be determined through the various project preparation stages.

All projects will need to go through the project preparation stages of identification, scoping and preparation, before the procurement strategy is determined. It does however still require a proper project preparation process including scoping and feasibility.

⁷ Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003): Municipal Asset Transfer Regulations in Government Gazette No. 31346 dated 22 August 2008.

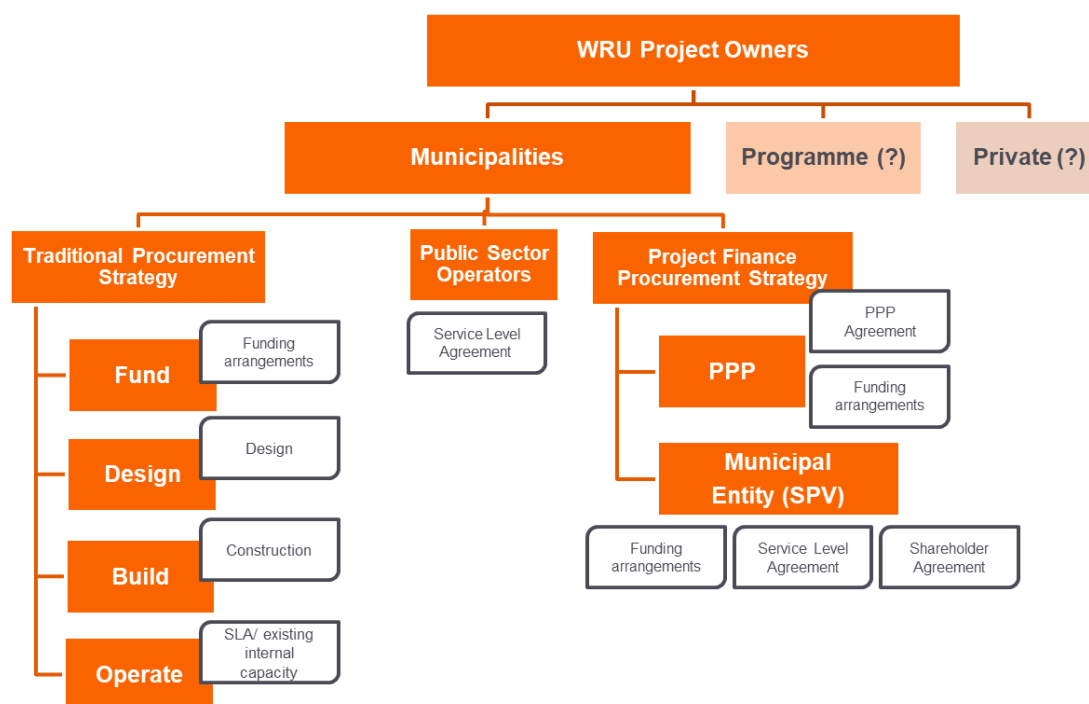


Figure 7 Project Procurement Strategies

If a contract with a public sector body is an option, there is no need to follow a competitive procurement route, but value for money and affordability will still need to be determined.

If a contract with private sector operators is identified, the process must follow supply chain management processes in terms of which a transparent, fair, competitive bidding process be undertaken in line with the MFMA SCM Regulations and aligned to the municipality's SCM Policy and existing procurement structures including the bid committees. If it is a PPP procurement process, it will likely be a two-phase, process with an expression of interest to pre-qualify bidding consortia based on technical experience where after prequalified bidders will be issued with the detailed RFP and contract to enable due diligence and pricing of a technical solution. This because longer-term complex contracts require significant time and effort from bidders and the procuring authority. It is also a lesson learnt from international experience that potential operators should be engaged early to finalise parameters (Frijns *et al.*, 2016). If the contract is to be concluded through a transversal contract or on behalf of the municipality the appropriate procurement and contract structure will need to be determined depending on who the contracting authority is.

Unsolicited bids, although allowed in terms of Regulation 37 of the MFMA SCM Regulations, should be treated with caution as the project is not likely to be demonstrably unique or subject to a sole provider. It is further not recommended to deviate from official procurement processes in terms of Regulation 36 of the MFMA SCM Regulations, as the circumstances such as emergency, single source provider do not prevail to make it impossible or impractical to follow competitive bidding. In preparing the project, the WPO will require compliance with standard scopes of work, depending on the nature of the project. The National Treasury issued standard PPP Guidelines and has a regulatory role in ensuring compliance with s120 and s33 of the Municipal Finance Management Act and in issuing views and

recommendations at various stages of feasibility. More recently, the Department of Public Works and Infrastructure, together with Infrastructure South Africa is exploring a methodology termed “the 5CM Methodology”. This methodology is based on the UK’s 5-case model (5CM). The project lifecycle starts with the project concept, then progresses to the prefeasibility stage, the feasibility stage and, provided that enough optioneering has been done, the bankability stage. The Early Business Case stage involves assessing the strategic need and viability of the various project solutions at a high level and whether there are immediate identifiable potential fatal flaws that would render such options not worth further consideration. The Early Business Case will be followed by the Intermediate- and Full Business Cases, where the bankability, structuring and financing of the project will take place.

What makes the 5CM methodology different is that it ensures that infrastructure development is not merely undertaken in a transactional manner. The 5CM methodology relates to the identification, consideration, evaluation, approval, and implementation of workable infrastructure, to ensure bankability. Although a water reuse project will only be subject to the Infrastructure Development Act if it is gazetted as a Strategic Integrated Project (SIP), the Water Reuse Programme will develop its standardised operating procedures based on the latest infrastructure development methodology, aligned to the current regulatory parameters included in the Municipal Finance Management Act.

The Procurement strategy followed will inform the contracting structures. There are a number of standard construction contracts (including GCC, NEC and FIDIC), but the choice will be project-specific and depend on the proposed spectrum of risk transfer (design and/or build and/or operate and/or finance and/ or operate and/or maintain) which will be determined at feasibility stage.

If a traditional procurement strategy is followed, the elements of the project owner (will fund, design, build and operate) will be procured and contracted separately and distinctly by the project owners. There will be a need for a project advisor (consultant) to be appointed by the project owner. The project owner will take the design risk, and the build risk and where possible will transfer the operational risk. This is the traditional way of municipal procurement and contracting. Standardised contracts such as the FIDIC yellow book will likely be followed, distinguishing the roles of consultant, contractor and operator. The distinctive procurement processes result in risk retention by the municipality and could also possibly impact implementation time frames as a number of different procurement process have to be scoped, tendered and implemented. This allows for opportunity to negatively impact implementation time frames as tendering, contracting and decision-making processes are amplified. Further by delinking the design and construct risk from the operations risk, there is risk of wrong or over design. And also, potentially not funding an operator, on time or at all, leaving the municipality with the full operational risk in the absence of existing operational capacity.

Alternatively, if a PPP procurement process and contracting arrangement is followed, the municipality can transfer the design, contract and operations risk to one contracting party which although potentially more complex contracting arrangement will at least only require one procurement and contracting process. In the WPO developing the standardised contract, reference would be had to the PPP guidelines international best practice and standardised contracts for example the FIDIC Gold Book.

4.4.2 Project Procurement Process

Water reuse sub-projects will be procured by the Project Owners' internal procurement departments based on own procurement policies as regulated by the Municipal Finance Management Act and Supply Chain regulations and policies.

If significant technical, financial and operational risk can be transferred and a design, build, finance, operate and maintain (DBFOM) contract is determined as potentially appropriate in the scoping stage, a PPP process will be triggered. This will require the Project Owner to register the project with National Treasury, appoint a transaction advisor and follow a PPP process as regulated by the MFMA and the PPP Regulations.

A project procurement process will follow the following stages (see Figure 8). At the conclusion of each stage of project development a project may be stopped by the WPO from being developed as a water reuse project in the WRP if it is determined as not being feasible or affordable, or if there are alternative strategies to be followed by the water services authority before considering a water reuse sub-project:

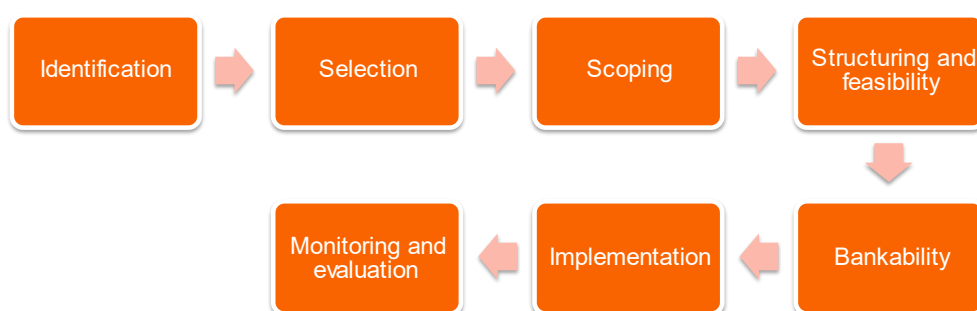


Figure 8 Project preparation phases

In support of water reuse sub-projects, the WRP can consider development of the following project preparation tools see Figure 9, below.

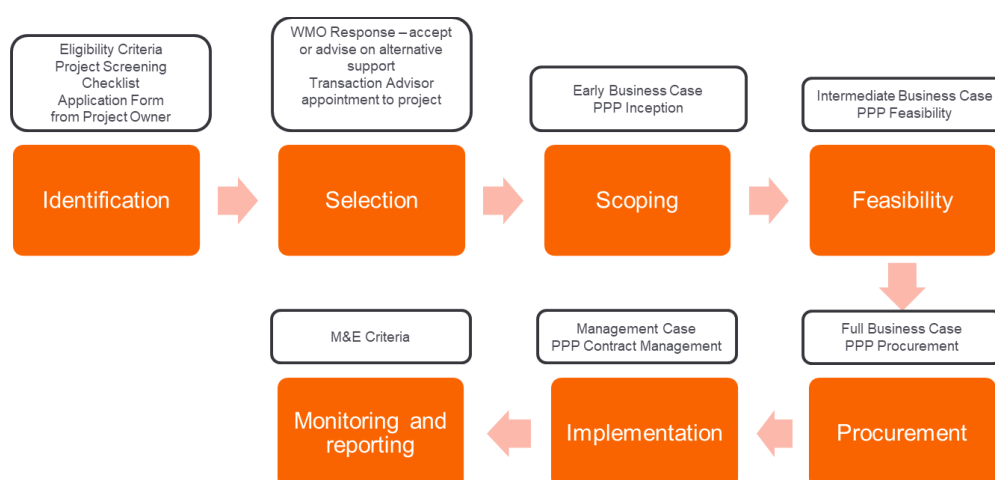


Figure 9 Project preparation support tools

4.4.3 Project preparation timeframes

It is assumed that most of the water reuse sub-projects will be structured and procured as PPPs. If that is so, the indicative time frames are below, although each project will be tailored to its specific circumstances. The following time frames are indicative of best-case scenarios. As the WRP develops and learns lessons, efficiencies will be introduced by the WRP through standardisation and anticipating and mitigating potential risks. It must however be noted that each project will be unique and will require focused transaction advisory support and advisory services as is appropriate to the project preparation phase.

It must also be noted that the time frames are for the deliverables specified, which will to an extent be managed by the WPO through performance contracts with service providers. The time frames do not indicate decision making processes of the project owners (water service authorities) or regulators (DWS re water licensing, Department of Forestry, Fisheries and Environmental re environmental impact assessments and license compliance and National and Provincial Treasuries re PPPs etc).

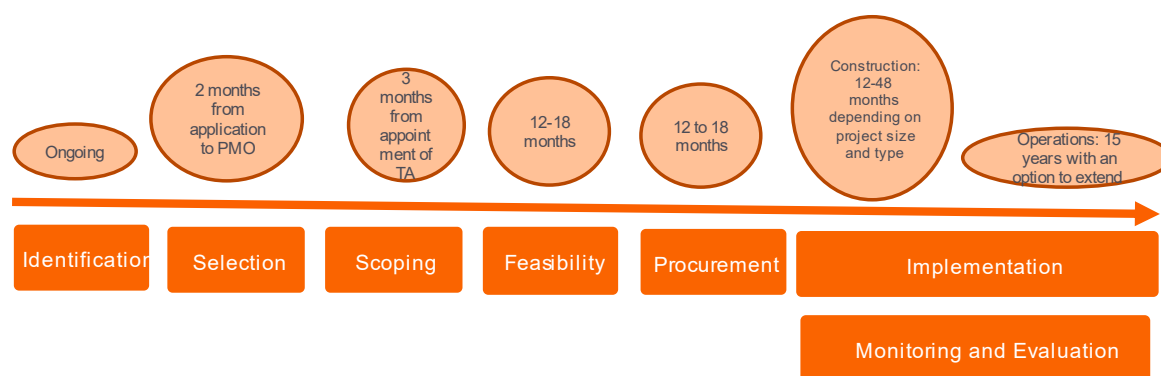


Figure 10 Project preparation time frames

4.4.4 Project preparation standardised documentation

The WRP can consider development of the following standardised tools to enable efficiency in identifying, scoping and procuring water reuse sub-projects, in particular regulating the relationship between the project owner and the WRP.

Table 4: WRP standardised project documentation

Project Process	Project Support Tools to be developed by WPO
Identification & Selection	Standard WRU Project Due Diligence Questionnaire for Project Owner to Fill in Standard assessment process for WPO Project selection criteria Standard communication with Project Owner Standard Terms of Reference for Transaction Advisor
Scoping	Standard WRU Pre-Feasibility Scope and Checklist (TA Guideline) addressing: <ul style="list-style-type: none"> • PPP Inception • Early Business Case

Project Process	Project Support Tools to be developed by WPO
Feasibility	Standard process for Project owner to follow Principles for Green Procurement Standard scope of work for Feasibility Study (TA Guideline) addressing: <ul style="list-style-type: none"> • PPP Feasibility Study • Intermediate Business Case (IBC) Standard Project Owner submission letter to WPO Standard WPO Project evaluation criteria Procurement Strategy Standard WPO response
Procurement	Standard scope of work for Feasibility Study addressing: <ul style="list-style-type: none"> • PPP Procurement • Full Business Case (FBC) [To be developed by Fund Manager/ Facilitator]
Implementation	Checklist for implementation Green rating for water resilience projects
M&E	Checklist for reporting Protocols if there is non-performance

Annexure 1 sets out the Frameworks (a checklist as to what must be included/ addressed) for the WPO when appointing a service provider to undertake (i) a scoping process (pre-feasibility) and (ii) a bankable feasibility process. It also sets out a guide regarding standardised contracting documents for construction.

5. CONCLUSION

The framework for preparation and implementation of water reuse sub-projects is complex given the number of stakeholders each acting within a regulated environment. The key objective of this Governance Report is to set out the structure of an appropriate governance and procurement plan and guidelines for the WRP within the existing regulatory environment. This Governance Report is developed for the WPO to enable clarity as to what needs to be done, by whom, and when, to result in implementation of a water reuse project. It addresses the objective by confirming the existing policy support and mandate for water reuse sub-projects, identifying key stakeholders, determining, and unpacking core functions in the WRP and mapping associated activities and anticipated time frames. It distinguishes the overall NWPP, the WRP and water reuse sub-projects.

This report is an input into the overall operational guidelines for the WRP, which once established will need to clearly understand its context and parameters within which it should strive to achieve the objective of being a center of excellence and supporting identification, preparation, and implementation of water reuse sub-projects.

There are a number of interdependent reports prepared, including the criteria for project selection (see Market Study), project monitoring and evaluation criteria, and financing and funding mechanisms (see Financial Architecture).

This governance and procurement report is intended to evolve and develop as lessons are learnt and roles and responsibilities are streamlined by the OC and the WPO in the implementation process.

ANNEXURE: FRAMEWORK DOCUMENT

TERMS OF REFERENCE: TRANSACTION ADVISORY SUPPORT FOR PROJECT PREPRATION OF A WATER REUSE SUB-PROJECT ISSUED UNDER THE WATER REUSE PROGRAMME

March 2022

Version 0.1

[Draft Framework]

CONTENTS

Terminology	40
1. Introduction	41
1.1. Water Reuse Programme	41
1.2. Transaction Advisor	41
1.3. Approach.....	41
1.4. Alignment to the 5-Case Business Model	42
2. Project Management	43
2.1. Inception	43
2.2. Project steering meetings	44
2.3. Project progress reporting	44
2.4. Close out	44
3. Stage 1: Pre-feasibility	45
3.1. Status quo analysis	45
3.2. Statutory and regulatory requirements	46
3.3. Needs analysis	46
3.3.1. Alignment with strategic objectives.....	46
3.3.2. Analysis of available budget.....	46
3.3.3. Demonstrate commitment and capacity	46
3.3.4. Specify project outputs	46
3.3.5. Define the context of the project	47
3.4. Technical options analysis	47
3.5. Implementation options analysis	47
3.6. Interim recommendations	48
4. Stage 2: Feasibility.....	48
4.1. Project due diligence and authorisations.....	48
4.1.1. Legal due diligence	48
4.1.2. Site establishment due diligence	49
4.1.3. Permitting/authorisations.....	49
4.1.4. Environmental impact.....	49
4.1.5. Socio-economic impact.....	49

4.2.	Value assessment	49
4.3.	Procurement plan.....	49
4.4.	Comments and Views	50
4.5.	Feasibility Study Report	50
5.	Stage 3: Implementation.....	50
5.1.	PPP procurement process	51
5.1.1.	Implementation plan	51
5.1.2.	Document development and approvals	51
5.1.3.	Prequalification Process	51
5.1.4.	Request for Proposal (RFP) Process	52
5.1.5.	Bidding Process	52
5.1.6.	Agreement negotiations and finalisation	53
5.2.	Other contracting arrangements	53
5.3.	Project management and contract monitoring	54
	ANNEXURE A: FEASIBILITY DELIVERABLES	55

Terminology

5- Case Business Model	UK Treasury's guidance 5 Case Business Model Guide to developing the Project Business Case (publishing.service.gov.uk) .
BBBEE	Broad based black economic empowerment
DBFOM	Design, Build, Finance, Operate and Maintain, or part thereof, as a contracting option
GTAC	Government Technical Advisory Centre, an agency of National Treasury providing transaction advisory services for PPPs
MFMA	Local Government: Municipal Finance Management Act 56 of 2003
MSA	Local Government: Municipal Services Act 32 of 2000
NWPP	National Water Partnerships Programme
PPP	Public private partnership
PPP Regulations	S120 of the MFMA and Municipal PPP Regulations - Gazette No 27431, 1 April 2005
PPP Guidelines	National Treasury's Municipal Service Delivery and PPP Guideline Final Municipal Cover FRONT 22.05.08.indd (gtac.gov.za) .)
Project	Water reuse sub-project under the auspices of the Water Reuse Programme
Project Owner	The municipality who is water services authority for its area of jurisdiction
TOR	Terms of Reference: Transaction advisory support for project preparation of a water reuse sub-project, issued under the Water Reuse Programme
TVR	Treasury Views and Recommendations
WRP	Water Reuse Programme

1. INTRODUCTION

1.1 Water Reuse Programme

The Water Reuse Programme (WRP) is established with the objective of creating a centre of excellence for water reuse sub-projects (the Project). The WRP is managed and implemented through a programme management office, referred to as the Water Partnerships Office (WPO), under the National Water Partnerships Programme (NWPP).

This Terms of Reference is issued as a framework to guide scoping and costing of activities to support WRP project preparation. It is intended to guide the development of a tailored terms of reference for the appointment of a transaction advisor to assist a municipality, as Project Owner, to prepare a water reuse sub-project for implementation.

1.2 Transaction Advisor

A Transaction Advisor will be appointed and contracted by the WRP from the panel of service providers procured by the WRP to support the development of a Project.

Although appointed and remunerated by agreement with the WRP, the Transaction Advisor will work directly with the Project Owner in preparing the Project.

The Project Owner, WRP and Transaction Advisor will conclude an agreement of co-operation, with clear roles and responsibilities.

1.3 Approach

The TOR is structured to have stage gates which will require Project Owner decision-making and WRP approval in order to proceed to the next stage. Appointment for any particular stage will not automatically assume appointment for all stages. The work of the Transaction Advisor may be terminated by the WRP at the end of any stage, or sooner if reasonably required, without any additional remuneration other than that priced for and delivered at the date of termination.

There is an assumption that the Project will be registered with National Treasury as a PPP, and the Project Owner will appoint a project officer to work with the Transaction Advisor. National Treasury (GTAC) may participate in the committee structures, if they elect to do so. If at any stage a PPP is deemed not feasible, the process will be re-scoped as is appropriate to the recommended and approved way forward.

The approach includes the following 4 stages:

Project Management

There will be on-going project management, from inception to close out, with regular engagement, coordination and engagement.

Pre-Feasibility

In Stage 1, the Transaction Advisor undertakes the needs analysis, the technical options analysis and the implementation analysis. On conclusion the Project Owner must decide on and confirm a project scope for detailed feasibility.

Feasibility

If approved in principle by WRP for detailed feasibility, in Stage 2 the Transaction Advisor conducts the Project due diligence (legal, site, BBBEE and socio economic and environmental) and a value assessment of the preferred technical and contracting option, and structures a procurement plan to give effect to the recommendation.

Implementation

If approved in principle by Council of the Project Owner for implementation, in Stage 3 the Transaction Advisor will, if contracted to do so, proceed to provide the necessary technical, legal, and financial transaction advisory support for the implementation of the Project including procurement of a public private partnership or implementation of an alternative contractual and/ or implementation arrangement.

A list of deliverables for the Pre-Feasibility and Feasibility stages is set out in Annexure A: Deliverables, which is based on the current municipal PPP regulatory framework (MFMA s120 and PPP Regulations) and the National Treasury's Municipal Service Delivery and PPP Guideline ([Final Municipal Cover Front 22.05.08.indd \(gtac.gov.za.\)](#))

This Terms of Reference, read together with the PPP Guidelines and the Project Inception Plan (see0 below), will determine the scope of work of the Transaction Advisor.

In the event of conflict between this TOR and PPP regulatory framework, or interpretation of provisions in this TOR compared to the PPP regulatory framework, the following hierarchy shall prevail:

- a) MFMA;
- b) MFMA Regulations, including without limitation SCM and PPP regulations;
- c) PPP Guidelines;
- d) Communication from National Treasury (GTAC) on the Project;

TOR.

1.4 Alignment to the 5-Case Business Model

In addition to the prescription of the current regulatory framework for project preparation, there is a methodology based on the UK's 5-Case Business model, which is currently being developed and standardised for South African infrastructure projects by Infrastructure South Africa (ISA).

The 5-Case Model which is HM Treasury's approved standard for the production of public sector business cases, comprises five dimensions and the answers to the following key questions:

The Strategic Case - what is the case for change and how does it provide strategic fit?

The Economic Case - what is the best choice for optimising social value?

The Commercial Case – what is the deal, and can the supply side deliver it?

The Financial Case – is it affordable within budget?

The Management Case – are the necessary arrangements in place for successful delivery?

The Business Case is developed in three stages, distinguishing:

1. The Strategic Outline case (SOC)
2. The Outline Business case (OBC)
3. The Full Business case (FBC)

The difference between the Strategic Outline Case (pre-feasibility) and the Outline Business Case (feasibility) lies in the level of detail and rigor applied in the analysis. The former uses secondary estimates and draws information from desktop research to give a first impression of the viability of all the options. The actual feasibility study will then use the same methodological tools but on more accurate estimates that are based on primary data sources, engineering costing models, international best practice, etc.

It is intended that a well-prepared Project Business Case would enable a project owner and its key stakeholders to understand, influence and shape the project's scope and direction early on in the planning process, assists decision makers to understand the key issues, the available evidence base and to avoid committing resources to schemes that should not proceed demonstrates to senior management, stakeholders, customers and decision makers the continuing viability of the project, and provides the basis for management, monitoring and evaluation during and after implementation.

The scope of work in this TOR may be modified at some stage based on guidance from Infrastructure South Africa. Impact on scope at the time of modification will be assessed and attended to at that time.

2. PROJECT MANAGEMENT

The stage of Project Management is ongoing, the outcome of which is to facilitate that the WRP, Project Owner and the Transaction Advisor understand how the assignment will proceed and is managed and delivered.

2.1 Inception

Within two weeks of signing a contract with WRP, the Transaction Advisor shall submit and present to the WRP and Project Owner a detailed inception plan and schedule. This plan and schedule shall present sufficient and detailed information concerning the Transaction Advisor's approach to accomplishing the assignment to allow effective planning and scheduling of all activities required to support the Transaction Advisor's efforts. This will involve development of a detailed Project Inception Plan that will document the organization, scope, financial commitment, schedule and responsibility for all tasks to be accomplished within the assignment. This document will also serve as the project

management tool for allowing all involved parties to follow the progress of the Transaction Advisor's efforts. Once approved by the WRP, it shall be the Project Plan against which progress is reported and monitored.

It shall include and identification of all stakeholders, authorised representatives and decision-making authority.

The Transaction Advisor shall travel to the Project Owner for a kick-off meeting with the Project Owner to 1) prepare the Inception Plan and Schedule; 2) gather initial Project information; and 3) physically observe water supply and wastewater management conditions and facilities in the Project service area.

2.2 Project steering meetings

The Transaction Advisor shall attend at the offices of the Project Owner (unless on-line platforms are agreed as appropriate with the WRP) for quarterly project steering meetings with Project Owner and if relevant the WRP or as a when reasonably required by the Project Owner and/or the WRP. The Transaction Advisor shall circulate an agenda at least a week before the project steering meeting, and a copy of the previous engagement recordal of outcomes.

The Transaction Advisor present on the 1) the outcomes of the activity to date; 2) progress of the Project Plan, 3) progress on the Project feasibility, and 4) raise any issues requiring escalation for resolution or guidance from the Project Owner and/ or WRP and/ or GTAC.

The Transaction Advisor shall act as secretariat and prepare and distribute agendas and meeting minutes to allow for preparation.

2.3 Project progress reporting

The Transaction Advisor shall prepare and submit monthly progress reports, delivered within 7 days of the end of each month to the WRP and the Project Owner. The report shall include 1) actual progress of the Project against the Project Plan and indicators, 2) actual expenditure during the preceding quarter and 3) Project progress risks and mitigation strategies; and 4) any other information that may be reasonably requested from the Transaction Advisor.

2.4 Close out

On written notification by WRP of termination of the activity of the Transaction Advisor, for whatever reason and at whatever stage, the Transaction Advisor must compile a (i) comprehensive close-out report and (ii) case study. These must follow the formats prescribed in Module 5: PPP Procurement of the PPP Guideline and must incorporate any additional factors reasonably required by the Project Owner and/or the WRP and/or GTAC. The close-out report will be a confidential document of the Project Owner and WRP, and will also be logged with National Treasury. The case study may become a public document, made available on various government websites.

3. Stage 1: Pre-feasibility

The key objective of the pre-feasibility stage is to define a project to inform the scope of the detailed feasibility. It will inform WRP and Project Owner decision making as to whether to proceed to feasibility and if so, what the technical scope is to meet the Project Owner's needs, with a preliminary indication of affordability and risks.

Key enquiries sought to be answered at this phase:

- *Is the project justified in the context of the Project Owner's needs, and the wider programmes and strategies the government?*
- *Is the project suitable for development as a PPP, and if not what the alternative implementation models should be?*
- *Is there demand for off-take?*
- *Have major risks been identified and mitigation measures outlined?*
- *Are sufficient resources available for further development of the project and is realistic timetable in place?*

Note that an in-depth assessment of design, project's viability and risks and readiness to be procured is not undertaken at this stage of pre-feasibility.

3.1 Status quo analysis

The Transaction Advisor shall seek and secure all existing and available information concerning the Project, and become acquainted with the expected scope of the Project and the objectives of the WRP and Project Owner in undertaking the Project.

Prior to the kick-off meeting identified in 0 above, the Transaction Advisor will prepare and submit to the Project Owner a preliminary list of information anticipated as minimum background to the Project, copied to the WRP.

The Transaction Advisor shall acquire all relevant reports and data, including any existing feasibility studies and reports (if any). The Transaction Advisor shall review the acquired documents, identify the gaps and present a status quo report including without limitation:

- The data pertaining to current water resources in the Project area;
- Plans and physical/technical data related to the existing water supply and wastewater management infrastructure and services in the Project area;
- Any previous feasibility analyses or investigations relevant to water supply in the Project area including all water transfer projects and any other means intended to augment water supply including desalination and wastewater reuse, as may be relevant;
- Current relevant institutional relationships for existing water sector services and facilities.

All delays in receiving the data requested shall be promptly communicated by the Transaction Advisor to the Project Owner, and if not addressed forthwith shall be escalated to the WRP, together with the associated impacts on the progress of the project.

Based on the initial investigation and acquisition of Project data and information, the Transaction Advisor will identify additional data that must be developed to successfully complete the assignment.

3.2 Statutory and regulatory requirements

The Transaction Advisor shall investigate all applicable existing and pending statutory and regulatory requirements relevant to existing water sector services and facilities as well as any proposed means for the implementation of the Project. At a minimum, this will include any laws and regulations from all applicable local, provincial, national governmental and international sources. To achieve this regulatory review, the Transaction Advisor will consult with applicable local, provincial, national and international regulatory agencies to advise them on the Project and to solicit their input into the necessary Project activities.

At this stage, the Transaction Advisor must initiate discussion between the Project Owner and the Department of Water and Sanitation to discuss the water use licensing implications and the potable water reuse standards/guidelines that will be used in this project. Once the market study is complete and the off-take arrangements are known, at that stage the Transaction Advisor must ensure that the Project Owner and the Department of Water and Sanitation agree on the licensing requirements and the associated water reuse standards/ guidelines.

3.3 Needs analysis

The Transaction Advisor is required to synthesise and develop a comprehensive needs analysis to assist with motivating the design of the proposed project and demonstrates that the project aligns with the municipality's strategic objectives and capacity.

3.3.1 Alignment with strategic objectives

Summarise the Project Owner's mission and vision statements, its strategic objectives and government policy that determines what the Project Owner's deliverables are. Particular attention must be given to the municipality's obligations as a WSA and WSP to provide water services at the required level of assurance and tariff structure to its residents.

3.3.2 Analysis of available budget

Analyse Project Owner's relevant future budgetary commitments and escalate the budget in line with the consumer price index (CPI). Furthermore, comment on the tariffs and potential funding models including blended financing options and potential revenue opportunities (to the Project Owner) generated by the Project. Identify and analyse the potential market for water reuse (off-takers).

3.3.3 Demonstrate commitment and capacity

Comment on the Project Owner's capacity to process, evaluate, negotiate, implement and manage the Project, and identify support needs.

3.3.4 Specify project outputs

Identify and specify the outputs intended to be achieved by the Project.

3.3.5 Define the context of the project

Provide a brief definition of the broader water requirements of the Project Owner and what could be the potential initiative to meet such a need. A proposed scope of such projects shall be summarised against the Project Owner's strategic objectives. Determine the significant municipal assets (such as land and infrastructure) and rights of access that would be required for the Project.

3.4 Technical options analysis

Evaluate leading water reuse technology options aligned with the specified project outputs and define the social, economic and technical risks associated with these.

Provide a list of viable technical options to meet the specified project outputs, which will present financial affordability to the end users.

Assess and make recommendations to the project Owner regarding the Project Site.

Develop a matrix of all potential Project risks for the technology options including, at a minimum, all technical, performance, economic and operational/maintenance risks that will exist as a result of the Project elements. The Transaction Advisor must do a comparison of the financial and economic life-cycle cost of the alternative viable technical options. In addition, investigate the alternatives as to who may assume project risk with the ultimate intent of defining the risks that will have to be assumed by the Project Owner in developing the Project through alternative procurement means. To the degree possible, the definition of Project risks will include the economic value of the risk in terms of the output performance of the proposed Project elements over their design life.

Assist the Project Owner with information to enable selecting an appropriate technical option to meet needs, taking into consideration financial viability and impact on users.

The recommended options will be carried forward to the next project stage.

Develop a high-level preliminary design for the selected best technical option (including an alternative) and proceed with the environmental authorisations as outlined in 4.1.3 below. The preliminary design must include water distribution options and potential off-take arrangements.

3.5 Implementation options analysis

Identify and list relevant and viable project implementation options to achieve the specified project outputs. Without limitation, include options: "do nothing", do everything internal (optimal internal mechanism), design by Project Owner and procure construction, procure the design and build (construction contract) but internal operations, procure the operations (SLA), procure a PPP (DBFOM).

Evaluate all the listed project implementation options by identifying direct/indirect costs, financial impacts on the Project Owner, impacts on existing organogram and capacity requirements, socioeconomic impacts, and risks.

Recommend and motivate an optimal project implementation structure, including Project Site, technical option and implementation option (the Project).

3.6 Interim recommendations

Summarise in a brief and concise report the evaluations and findings of the Pre-Feasibility Study.

Clearly define the Project to be taken into detailed feasibility stage.

Given the Project definition, identify potentially impacted stakeholders, regulatory compliance requirements triggered as a result of the motivated optimal way forward for the project. Or alternatively make recommendations for other action of the Project Owner and WRP if it is recommended not to proceed to feasibility stage.

Include the implementation implications and consequent scoping of the Feasibility Stage to support informed decision making by the Project Owner.

Present recommendations and next steps to the Project Owner and WRP for in-principle approval to proceed to Stage 2.

4. Stage 2: Feasibility

The key objective of the Feasibility is to demonstrate that the Project as scoped and defined is affordable, there is value for money and there is appropriate risk transfer in the contracting arrangements.

Key enquiries sought to be answered at this stage include:

- *Is the scope of the water reuse project appropriate the Project Owner's and the markets' needs?*
- *Is it socially, economically and environmentally feasible?*
- *Is it technically feasible?*
- *Is it affordable?*
- *Is the risk identified and allocated to those best able to manage it in the proposed contracting structure?*
- *Is it implementable?*

4.1 Project due diligence and authorisations

Analyse any issues in the preferred technical solution and implementation option that may significantly affect the proposed project.

4.1.1 Legal due diligence

Conduct a comprehensive legal due diligence of the preferred project implementation option and ensure all foreseeable legal requirements are met for the development of the project.

4.1.2 Site establishment due diligence

The Project Owner must approve in-principle the proposed Project Site. Once approved, the Transaction Advisor shall identify, compile and verify all related approvals required to utilise the site/s identified by the project Owner for the specified project outputs.

4.1.3 Permitting/authorisations

The Transaction Advisor is required to identify, scope and complete all necessary applications and processes and support the Project Owner to acquire the Environmental Impact Assessment (EIA) in terms of the National Environmental Management Act and the Water Use Licensing (WULA) in terms of the National Water Act and other necessary permits/authorisations. The Transaction Advisor must anticipate all potential circumstances in the EIA and WULA process and ensure that they are catered for in the overall timeline of the project.

4.1.4 Environmental impact

The Transaction Advisor is to determine the climate impact of the project, based on agreed criteria.

4.1.5 Socio-economic impact

The Transaction Advisor shall identify sectoral B-BBEE conditions, black enterprise strength in this sector and any factors that may constrain the achievement of the project's intended B-BBEE outputs. And local content requirements. And local sub-contracting requirements.

4.2 Value assessment

The feasibility study needs to clearly assess the full project life-cycle costs and benefits of the Project and, where applicable, propose the optimal value-for-money solution for the Project Owner to achieve its desired outcomes. In addition, the affordability to the Project Owner should be assessed.

The Transaction Advisor shall conduct a full value assessment to enable the Project Owner to determine which procurement option is best for the Project Owner as prescribed in section 120 of the MFMA, the PPP regulations and the PPP Guidelines (Module 4 Stage 6).

The Transaction Advisor shall take into consideration appropriate funding sources, funding models and the financial architecture of the WRP and water reuse sub-projects.

The Economic feasibility shall also be addressed, considering an assessment of the overall net-economic benefit of the Project, incorporating estimated project benefits and costs including non-market factors such as those from the social and environmental assessments.

4.3 Procurement plan

The Transaction Advisor shall draft and submit a procurement plan, which demonstrates that the Project Owner has the necessary capacity and budget to undertake the procurement of recommended option. The procurement plan must identify and schedule all activities including all the necessary Council and National Treasury approvals.

It must include a procurement strategy and key contracting structures and alignment to the risk identified in the Value Assessment process.

4.4 Comments and Views

The Transaction Advisor shall submit the draft feasibility study to the Project Owner and WRP for review and comment, and meet and present the feasibility study to the Project Owner and WRP, to discuss feedback and comments

The Transaction Advisor shall prepare a report on the Project for public comment and to solicit National and Provincial Treasuries for their views and recommendations, and other regulators if required.

The Transaction Advisor shall support the Project Owner to notify and solicit comments from the local community. As required by section 120 (6) of the MFMA and the Municipal PPP Regulations (activities and time frames to be determined and agreed upon at the Project Steering Meetings).

The Transaction Advisor shall submit the feasibility study to National and Provincial Treasuries for TVR.

The Transaction Advisor shall draft and submit a report on the received comments, views and recommendations.

4.5 Feasibility Study Report

The Transaction Advisor shall present and submit the final Feasibility Study Report to the Project Owner and WRP.

The Transaction Advisor shall revisit and amend the submitted Feasibility Study if requested by the Project Owner, WRP and/or National Treasury.

The Transaction Advisor shall support the Project Owner's presentation to its decision-making structures and Council, for an in-principle decision to proceed as recommended.

5. Stage 3: Implementation

The key objective of the implementation stage is to support the Project Owner to take the project through procurement, to contracting and financial close. The Transaction Advisor will be required to provide the necessary technical, legal and financial support to the Project Owner including developing a detailed implementation plan, drafting of all required documentation and reports, supporting regulatory processes and decision-making process.

The approach will depend on the recommended way forward in the Feasibility Study.

5.1 PPP procurement process

5.1.1 Implementation plan

If, based on the feasibility study, an external procurement or a PPP solution is decided on and Council approves in-principle to proceed to procurement, the Transaction Advisor will be required to provide the necessary technical, legal and financial support to achieve financial closure of a Public Private Partnership in terms of the MFMA (s120 PPP, s33 future financial commitments), the PPP Regulations and PPP Guidelines (Module 5) and the Municipal Asset Transfer Regulations.

5.1.2 Document development and approvals

The Transaction Advisor must prepare a complete set of procurement documents that comply with all applicable public sector procurement law, policies and guidelines, and that are in accordance with the required tendering processes of the Project Owner. The documentation must be consistent with the results of the feasibility study and enable the Project Owner to obtain TVR. The Transaction Advisor must also give the Project Owner all the necessary drafting, bidder communication and administrative support necessary for the entire procurement process to the highest standards of efficiency, quality and integrity.

The Transaction Advisor must prepare a draft RFQ, RFP and PPP agreement, based on National Treasury's Standardised PPP Provisions, reflecting the municipal context and the outcomes of the Feasibility. Close liaison with the Project Owner's management and GTAC and WRP is required during drafting.

The Transaction Advisor must: propose a bid evaluation system and criteria with capable of effective measurement to allow evaluation; design a suitable bid process that will ensure proper evaluation and comparison of bids; propose effective systems for communicating with bidders; market the Project to the domestic and international investor community, promoting interest; and incorporate all BEE requirements for the project.

The Transaction Advisor must compile all the documentation necessary for the Project Owner to obtain TVR II to enable the issuing of the RFP and draft agreement to pre-qualified bidders.

5.1.3 Prequalification Process

Assuming a 2-stage bidding process is recommended, the following is indicative but will need to be updated based on the outcomes of the Feasibility Stage. The objective a 2-stage bidding process is to pre-qualify bidders based on expertise, consortia and financial standing to meet the Project outputs. At this stage bidders do not require to invest time and effort in preparing a detailed response the scope of work or price, as that is only required of pre-qualified bidders after a due diligence process.

The Transaction Advisor must design and administer a pre-qualification (Request for Qualification (RFQ)) process with the intention of:

- Ensuring that the Project Owner's Project interest is communicated clearly to potential contractors;
- Determining the extent and nature of interest on the part of qualified private sector contractors; and
- Pre-qualifying a competitive number of competent contractors in an equitable and transparent way with the desired result is that every pre-qualified bidder is capable of delivering on the Project as required by the Project Owner.

To accomplish this, the Transaction Advisor must:

- Prepare all necessary RFQ documentation, including publication materials;
- Set up and administer the process by which the Project Owner can prequalify prospective contractors; and
- Help the Project Owner evaluate and qualify potential contractors based on preselected qualifications criteria.

After pre-qualification of bidding consortia on financial, technical and experience, only pre-qualified bidders will be issued with the Request for Proposal.

5.1.4 Request for Proposal (RFP) Process

The Transaction Advisor must prepare an RFP document in accordance with best industry practice and the PPP Guideline, consistent with the results of the feasibility study.

In addition to the Project Owner's SCM requirements, the RFP must concisely set out:

- The output specifications of the Project Owner.
- Requirements for compliant bids.
- A risk profile as established in the feasibility study.
- The payment mechanism.
- Evaluation criteria and scoring.

5.1.5 Bidding Process

The Transaction Advisor is to provide all necessary administrative support to the Project Owner for the efficient and professional management of the bidding process, aligned to the Project Owners SCM Policies and the MFMA and PPP Guidelines. This includes collecting the information required to populate a data room, providing a suitable, secure electronic platform for the data room, facilitating structured engagement between the Project Owner and bidders, helping the Project Owner communicate effectively with bidders, and receiving bids.

The Transaction Advisor must support the Project Owner to implement its SCM Policy, including scheduling in the project Plan meeting for Bid Specification Committees, Bid Evaluation Committees and Bid Adjudication Committees. The Transaction Advisor must be invited to participate as specialist advisor in the Bid Specification and Bid Evaluation Committees of the Project Owner.

Value for money must be demonstrated by comparing the net present value (NPV) of the bids received with the NPV of the alternatives of the Project, with a suitable adjustment for risk assumed. The results of the bidding and evaluation of bids must be presented in a single value assessment report (with relevant annexures) that demonstrates clearly how value for money will be achieved with the preferred

bidder. The report must clearly indicate the preferred and second-ranked bidders and provide motivations (as guided by the GTAC SCM policy, to be provided if relevant). Alternatively recommend a best and final offer (BAFO) process.

On announcement of a preferred and second preferred bidder by the Project Owner's Bid Adjudication Committee, the Transaction Advisor must advise the WRP and the GTAC of the outcome.

5.1.6 Agreement negotiations and finalisation

The Transaction Advisor must assist the Project Owner in negotiations with the preferred bidder. This will involve preparing suitable negotiations teams, categorising issues appropriately, developing timelines for completion, and planning negotiation tactics and processes for reaching agreement.

The Transaction Advisor must ensure that all agreements reached are incorporated into all the financial, commercial and legal documentation, and must assist with drafting the necessary and related correspondence. The final terms of the agreements, each as negotiated with the preferred bidder, must be submitted by the Project Owner, along with the PPP agreement management plan for the Project, to National and Provincial Treasury for TVR III.

It will include finalising the funding arrangements and agreements.

The Transaction Advisor is responsible for compiling the necessary submissions for the Project Owner to obtain this approval. The Transaction Advisor must, in close liaison with the Project Owner, draft a comprehensive PPP agreement management plan for the Project Owner. This will be in accordance with the provisions of the PPP agreement and with the relevant guidelines issued by National Treasury's PPP Unit. The Transaction Advisor must ensure that a comprehensive legal due diligence of the Accounting Officer has been completed. This will relate to legal compliance, competence and capacity to enter into the PPP agreement.

The Transaction Advisor must help the Project Owner with all functions related to signing the final agreement, including obtaining the approval of Council required by MFMA Section 33 for contracts of a prescribed term and the Municipal Asset Transfer Regulations. Financial closure signifies that all the procurement deliverables have been successfully completed, and that the Transaction Advisor's work is finished, if applicable.

5.2 Other contracting arrangements

If the Project Owner elects an implementation model other than a PPP, the form of construction contract will depend on whether the Project Owner's approved risk transfer and Project funding models, and will depend on whether:

1. Project Owner will design and operate (design by employer), but procure the build (a construction contract); or
2. The Project Owner will procure the design and build based on a brief, and independently contract an operator (a service level contract);
3. The Project Owner will procure the design, build, finance and operations of the Project (a PPP model).

The appropriate option will be motivated as part of the Feasibility depending on the project scope, the risk transfer and the project structuring based on outcomes of the Feasibility, and the consequent Procurement/ Implementation Plan.

the contract data in respect of prime or main contracts must reference one of the following standard industry forms of contract unless the publishers of such forms of contract indicate that such a form of contract is not suited for the intended application:

- a) Engineering and Construction Works Contract - General Conditions of Contract for Construction Works (GCC);
- b) Conditions of Contract for Construction, Conditions of Contract for Plant and Design-Build, Conditions of Contract for FIDIC EPC/Turnkey Projects, Conditions of Contract for Design, Build and Operate Projects or Short Form of Contract;
- c) JBCC series 2000 Principal Building Agreement or Minor Works Agreement; or
- d) NEC3 Engineering and Construction Short Contract or NEC3 Engineering and Construction Contract

[Case-study-on-Delivery-Management-of-Infrastructure-Projects-in-the-Public-Sector.pdf \(gtac.gov.za\)](#)

5.3 Project management and contract monitoring

Irrespective of the type of contract concluded the Project Owner must monitor performance. The Transaction Advisor will, in close coordination with the Project Owner, draft a comprehensive Project management and monitoring plan. At a minimum, this will define all procedures required for monitoring the performance of the agreement/s concluded during the full-term of the Project. The management plan will be in accordance with the provisions of the agreement concluded, and follow the guidance provided in the PPP Guideline.

ANNEXURE A: FEASIBILITY DELIVERABLES

In line with the PPP Guideline, Module 4: PPP Feasibility Study, the deliverables of the Transaction Advisor for Stage 1 and Stage 2 include:

- Introduction
- Submission requirements (see below)
- Covering letter from the accounting officer requesting TVR, as appropriate
- Executive summary
- Introduction
- Project background
- Approach and methodology to the feasibility study and the MFMA requisites, and the obtaining of TVRs

Pre-Feasibility:

Section 1: Needs analysis

- Project Owner's strategic objectives
- Budget
- Institutional analysis
- Output specifications
- Scope of the project

Section 2: Technical solution options analysis

- Technical options considered
- Evaluation and assessment of each technical option
- Summary of evaluation and assessment of all technical options considered
- Recommendation of a preferred technical option

Section 3: Implementation options analysis

- Implementation structuring/contracting options considered
- Evaluation and assessment of each implementation option
- Summary of evaluation and assessment of all implementation options considered
- Recommendation of a preferred implementation option(s)

Feasibility:

Section 4: Project due diligence

- Legal aspects.
- User rights.
- Regulatory matters.
- Site enablement.
- Socio-economic and BEE.
- Accuracy of measurements and recordings in pre-feasibility study, including without limitation (as is appropriate):
 - Identify any operating, financial or other contractual commitments which are binding on the Project Owner and advise on options for dealing with them within the framework of a proposed transaction structure;

- Assess any contingent liabilities, including tax and environmental as will need to be addressed in formulating a structure for private sector participation (in coordination with the Project Owner and other consultants);
- Review legal aspects of existing labour arrangements in the context of the proposed structure;
- Review existing Project Owner contractual arrangements to ensure compatibility with proposed arrangement;
- Assist the Project Owner in the development and presentation of recommendations for private sector participation in Project;
- Make any other relevant recommendations relating to the Project; and
- Analyse and make recommendations on the initial concept for the Project and the risk allocation in draft Project Agreements, based on relevant precedents, and suggest and assist in making modifications as necessary following discussions with other members of the transaction team must also be catered for in the legal due diligence.

Section 5: Project Value assessment

- Undertake an 'internal assessment' (costs of alternative technologies, avoided costs).
- Technical definition of project.
- Discussion on costs (direct and indirect) and assumptions made in producing cost estimates.
- Detailed financial matrix based on technical options and risk assessment per option inclusive of operations and maintenance.
- Detailed model on water supply and consumption based on technology types.
- Discussion on revenue and assumptions made on revenue estimates plus value added benefits.
- Financial matrix of revenue streams.
- Financial and economic valuation of life-cycle costs and benefits of alternative technical options.
- Detailed Socio-Economic benefit of the PPP (Economic Feasibility).
- BEE targets.
- Financial model for equity partnerships.
- Discussion on proposed PPP type.
- Proposed PPP project structure and sources of funding.
- Payment mechanism (including incentives for any revenue streams).
- Discussion on all model assumptions made in the construction of the model, including inflation rate, discount rate, depreciation, tax and VAT.
- Risk assessment.
- Comprehensive risk matrix for all project risks.
- Summary of the municipality's retained and transferable risks.

Summary of results: NPV

- Summary of results: NPV, key indicators.
- Sensitivity analyses.
- Statement of affordability.
- Statement of value for money, if appropriate.
- Recommended procurement choice.
- Information verification.
- Summary of documents attached in Annexure 1 to verify information found in the feasibility study report.

Section 6: Comments

Statement of compliance with the comments and representations received in response to MFMA section 120(6)(b) invitation to comment, as appropriate.

Section 7: TVRs

Statement of views and recommendations received in response to any required MFMA section 120(6)(c) solicitation.

Section 8: Procurement plan.

Annexures:

- Annexure 1: Statements for information verification and sign off from the Transaction Advisor to the project.
- Annexure 2: Letter of concurrence from CFO of municipality.
- Annexure 3: Risk assessment and comprehensive risk matrix.
- Annexure 4: Document list (list of all documents related to the project, where they are kept, and who is responsible for ensuring that they are updated).
- Annexure 5, 6: Attach as annexures summaries of comments or representations received in terms of the MFMA section 120(6)(b) public notice and in terms of the MFMA section 120(6)(c) request for views and recommendations.
- Annexure 7: Full reports on Status Quo and any Preliminary studies (if any).

Stage 3: Implementation will then be structured between the WRP, the Project Owner and the Transaction Advisor, depending on Council's in-principle decision to proceed to procure a PPP, or not.



www.DBSA.org