

# 20-year review of the water and sanitation concession PPP in the City of Mbombela and transaction advisory support

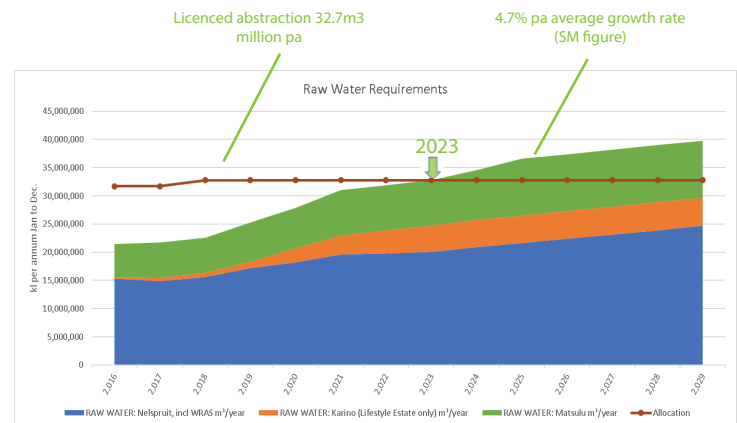


The City of Mbombela entered into a water and sanitation concession contract for a designated region in the municipality, in 1999. The purpose of this public-private partnership (PPP) was to inject the necessary capital and management resources to allow the municipality to meet its service delivery objectives.

The municipality commissioned PDG to conduct a 20-year review of the concession contract. PDG reviewed the available data and conducted interviews with existing and prior municipal and concessionaire staff to understand the performance of the concessionaire and the municipality. Performance was assessed in relation to the original concession contract, and the five-yearly supplementary agreements to which both parties have agreed.

The 20-year review found that the both the municipality and the concessionaire have mixed performance as it relates to their contractual obligations. The municipality does not make the necessary payments to the concessionaire timeously (such as agreed upon Equitable Share Grant contributions) and does not implement capital projects to the required standard in the concessionaire's area of management, while the concessionaire does not provide the agreed upon level of service (including 24-hour supply) to its customers outside of large urban centres.

PDG also provided technical and financial transaction advisory support to the municipality. The fifth Supplementary Agreement was being negotiated at the time of the 20-year review, and PDG provided technical and financial input to the municipality. This analysis included modelling the concessionaire's service delivery requirements, tariffs, metering of customers, expansion of raw and bulk water



Raw water demand forecast

supply and water conservation and demand management interventions. The modelling informed the Supplementary Agreement negotiations and strengthened the municipality's position that the concessionaire should provide additional, own-source, capital.

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**MC20 PROJECT:**

**Project Profile:** 20-year review of the water and sanitation concession PPP in the City of Mbombela and transaction advisory support

**Client:** City of Mbombela

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