

# **WB – PPIAF Global Programme on Developing PBC Practices for Managing NRW**

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**Bucharest – February 13, 2018**

# Global NRW PBC Program

- Overview
- Available Resources

# Global Program to Support the Use of NRW PBCs

## *Objective*

- Develop good practices on Performance Based Contracts (PBCs) in the Marketplace to Manage Non-Revenue Water (NRW)

## *A partnership between*

- **IWA** for advocacy, strong experts in their membership and ability for training
- **IDB** since their development of a number of PBC programs such as in the Bahamas and Jamaica
- **PPIAF** is supporting with knowledge and funding and also supporting private sector development
- **WBG** with global access to knowledge and projects and clients with a keen interest in NRW



# PBC Global Program Overview

- Driven in part by the WBG need for a tailored procurement document and standardized approach for PBCs
- Program goal is to catalyze increasingly better practices in the marketplace on PBCs for NRW Management
- There are many different stakeholders involved in NRW reduction and their benefits from the global program vary:
  - **Development Financing Institutions** (e.g. World Bank, IDB) deliver better cost-effective assistance to clients
  - **Private sector companies**, especially domestic firms, are able to participate and offer value-for-money services
  - **Water utilities** are able to improve and maintain their NRW performance with PBC support

# PBC Global Program Aims

- Develop good PBC practices in the marketplace to manage NRW
- Bring projects to market
- Capacity building and engagement of private service companies to effectively implement PBCs
- Develop new contracting arrangements
- Successfully pilot PBCs for NRW reduction for multiple locations

# Rationale for NRW PBC Global Program

- Competitive bidding and payments based on results can achieve the most cost effective solutions
- PBCs provide an innovative option to address NRW with the specific intent to:
  - Speed-up
  - Streamline
  - Simplify
- Develop a set of tools that can be used both within the World Bank Group and externally to quickly develop effective PBCs for NRW management and reduction
- The global program also afforded the opportunity to pilot new PBC techniques and trainings

# Program Activities

- **Develop knowledge** — Terms of Reference (TOR), term sheets, standardized contracts
- **Support PBC projects** — Kenya, Tanzania, West Bank, Pakistan
- **National scale up** — How to get beyond one utility at a time
- **Support private sector skills** — Training, supply chain analysis



# Develop Knowledge

- Tools intended to provide broad direction on PBCs for NRW reduction

# Summary of Resources

- Available
  - Operational manual
  - Training curricula and slides
  - Financial model
  - List of companies and consultants specializing in PBCs for NRW reduction
- In progress / Planned
  - Standard procurement document
  - Case studies
  - Website with downloadable resources – additional resources may be added over time

# Operational Manual

- Describes and visualizes the process for planning and implementing NRW PBCs
  - Detailed descriptions of each phase
- Designed to facilitate the implementation of a PBC
- Appendices with templates:
  - Sample screening tool
  - Skeleton Terms of Reference
  - Indicative timeline
  - Description of responsible parties

# Training Curricula

- A modular document that can be used to bring staff up to speed on implementing a PBC
- Can be structured to suit specific contexts once the local team is familiar with the PBC process
- Intended to be a document which will help ensure that all staff agree on the goals and process of a NRW PBC from the outset of the program
- Modules can be picked and chosen for refresher sessions, as needed

# Financial Model

- The overall goal is to present financial analyses via generally accepted metrics (CBA, IRR, NPV, etc.)
- Provides a simple, generic structure of project costs and sets these against the utility baseline OPEX costs
- Used to test whether an NRW investment conducted as part of a PBC is a "go" or "no go"
- User inputs site-specific data
- Model plots variance from a baseline

# Standard Procurement Document

Based on the following principles:

- Necessity of private sector and public sector to both benefit from the project
- Different phases to account for a “learn as you go” approach
- Ensuring that the NRW reductions are sustainable and long-lasting
- Easing implementation for those less familiar with PBCs



# PBC Type Summaries and TORs

- Summaries of five potential models for PBCs:
  - All-inclusive
  - Self-optimizing results-based 24/7
  - DMA rollout
  - Competitive discovery
  - Incentivized program management
- Guideline TORs are available for each of the PBC models
- The guideline TORs will contain standard language that can be modified to better suit the local context

# Support of PBC Projects

Assistance to country – specific NRW reduction programs

## **Pipeline of PBCs Going to Market:**

- **Faisalabad – Pakistan**
- **Dar es Salaam – Tanzania**
- **Addis Ababa – Ethiopia**
- **Conakry – Guinea**

# National Scale-up

Moving beyond a one city at a time approach

## Ongoing Interventions:

- **West Bank / Gaza**
- **South Africa**

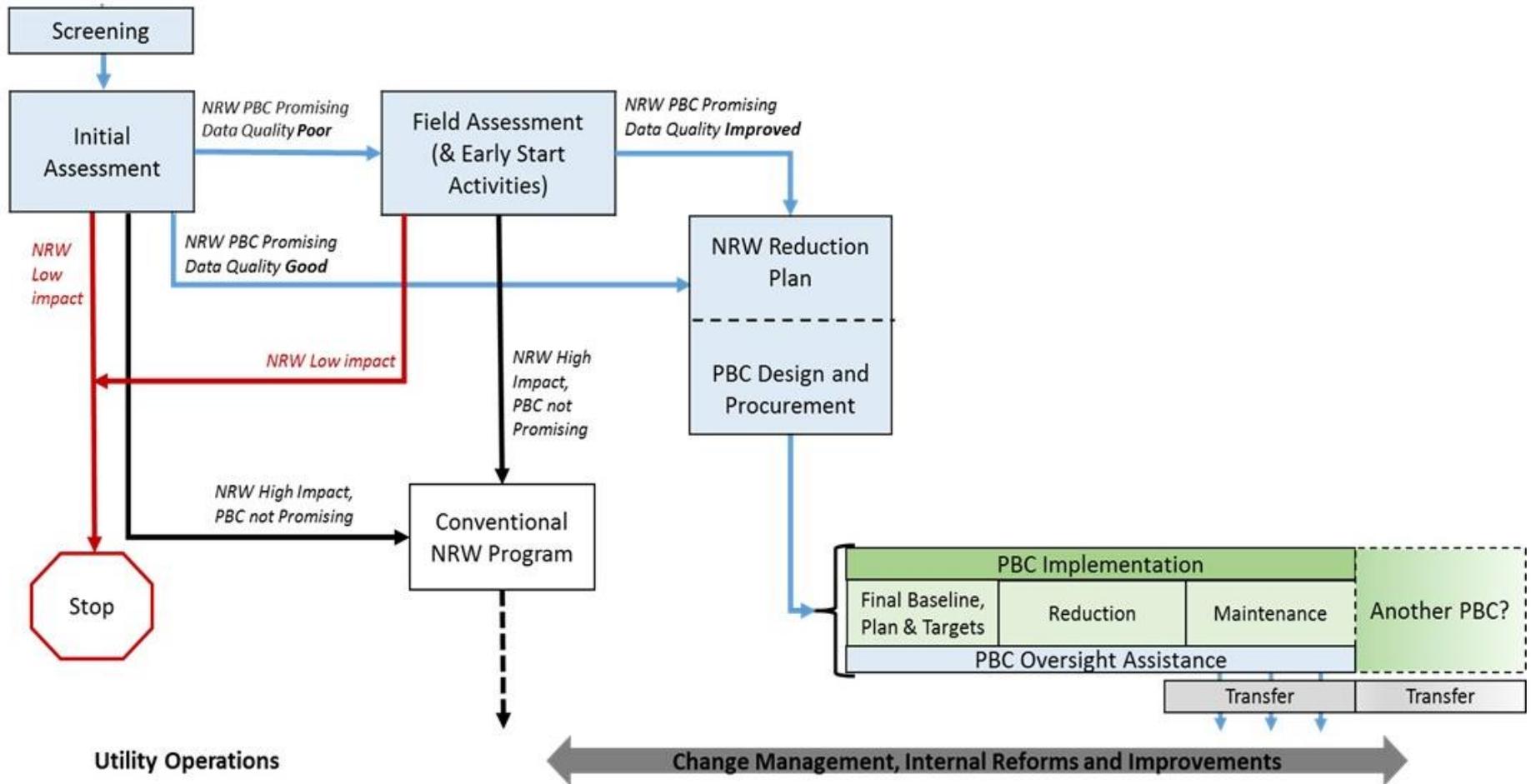
# Support Private Sector Skills

## Marketplace events

- **Catalyze the interest of the private sector**
- **Multiple regionally-focused events that allow for smaller firms to leverage regional expertise**



# PBC Implementation Process Overview



# National Screening Tool — Important Conditions for Project Success

- Useful to identify key policy or operational constraints
- If red flags emerge during this screening phase, those issues should be resolved before launching a NRW PBC

Red Flags	 Applicable?
National officials are not concerned about NRW	
Legal barriers will prevent NRW PBCs	
No national actor championing improved water utility performance	
Few, if any, utilities in country have high NRW	
Plentiful cheap water resources near all urban centers	

# Local Screening Tool —

helps exclude locations where NRW PBCs may be inappropriate

Criterion		Red	Amber	Green	Your Utility
NRW levels high (assessed assuming 24/7)		NRW <15%	15%<NRW<40%	NRW >40%	
Water supply intermittent		<del>XXXXXXXXXX</del>	24-18 hours	<18 hours	
Variable operating costs high		<del>XXXXXXXXXX</del>	\$0.00-0.20/cu.m	cost >\$0.20/cu.m	
Production inadequate		<del>XXXXXXXXXX</del>	IC>500lpcd	IC<500lpcd	
Resources scarce		Unlimited high-quality water available with little pumping or storage costs	Between	All available water allocated, solutions such as desalination being considered	
Demand growth (%p.a.)		Growth <0%	0%<Growth<5%	Growth >5%	
High LRMC (\$/cu.m)		LRMC <\$0.30	\$0.30<LRMC<\$1.00	LRMC >\$1.00	
Social support		No	Not Clear	Yes	
High priority on improving water service in this area	Ministry of Water	No	Not clear	Yes	
	Ministry of Finance	No	Not clear	Yes	
Conclusion of Screening					Include/ Exclude

# Operational Manual Summary

- Describes the process for planning and implementing NRW PBCs
- Visually shows the NRW PBC project preparation process and the order in which tasks must be completed
- Designed to help TTLs lead the implementation of a PBC as well as utilities to understand the process
- Contains a detailed description of each one of the described steps involved in designing a PBC project
- Ties specific tools and templates to the appropriate area of text guidance
- For more information:
  - <https://ppp.worldbank.org/public-private-partnership/sector/water-sanitation>
  - Upcoming launch of website at [IWA Water Loss Conference in Cape Town, 6-8 May 2018](#) with the PBC tools developed by the World Bank for NRW management

# Thank You For Your Attention!!

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