



Private Sector Involvement in Water Infrastructure with emphasis on Wastewater Treatment Plants

Expert Facility Activity No: EFS-LB-2

WORKSHOP CONCEPT NOTE

Procurement of Public-Private Partnerships in the Water/Wastewater Sector

24 – 26 April 2018

Beirut - Lebanon

1. Context

Within the scope of the Expert Facility (EF) work package (WP1), the EU-funded “Sustainable Water Integrated Management & Horizon 2020 - Support Mechanism (SWIM-H2020 SM)”, in cooperation with the Ministry of Energy and Water (MoEW) and the High Council for Privatisation and PPPs (HCP) is conducting a 3-day workshop on Procurement of Public-Private Partnerships (PPP) in the Water/Wastewater Sector.

The workshop takes place following a fact finding mission that was carried out by the project .with a view to develop guidelines for using international standard procurement, tendering and contract management procedures for PPP in water and wastewater, and, identifying training requirements based on existing gaps.

2. Introduction

The Government of Lebanon is well aware of the financial challenges that the water sector of the country faces and has been considering the potential involvement of the Private Sector, to assist with the financial sustainability of the water sector and meeting the country’s water needs. These needs have been explicitly identified by both the 10 Years Strategy Plan (2000-2009 and the revised edition until 2018) and the 2012 Ministry of Energy and Water (MEW) Strategy, while the Government estimates that financial contributions through the State budget and Official Development Assistance will not suffice to cover the sector’s needs. Indeed, the needed investments for the planned infrastructure development in the water sector, including the "softer" management-related interventions (institutional, tariff, legal and regulatory reforms) are significant and come up against strong financing constraints. Recently a framework legislation on PPP was adopted by the Parliament. However, constraints for PPP in water infrastructure in the country are still significant. Lebanon requested that the SWIM-H2020 SM¹ project provides assistance in “Private sector involvement in water infrastructure with emphasis on wastewater treatment plants” through two closely linked sub-activities:

¹ SWIM – H2020 SM: Sustainable Water Integrated Management and Horizon 2020– Support Mechanism



1. Sub-activity EFS-LB-2.1 to help identify the necessary incentives and expand the environmental account fund in the banks of Lebanon primarily to promote the use of non-conventional water resources in the water-related sectors (agriculture, industry, domestic, tourism) and secondarily to support the expansion of water service facilities.
2. Sub-activity EFS-LB-2.2 to help in improving procurement, tendering and management of wastewater treatment plants “construction” and “services” contracts through the development of guidelines and training of relevant staff in the sector.

The present activity under EFS-LB-2.2 has been developed in operational synergy with the on-going national work in Lebanon under the *Governance & Financing for the Mediterranean Water Sector* project². A fact-finding mission to Lebanon (Beirut) was carried out by the Wastewater and Tendering Expert from 17 to 23 September with a view to develop guidelines for using international standard procurement, tendering and contract management procedures for PPPs³ in water and wastewater, and, identify training requirements based on existing gaps.

Consistent with recent findings⁴, constraints to the application of PPP in the water/wastewater sector in Lebanon include institutional, organizational, operational, cost recovery/tariffs, financial (creditworthiness), and commercial issues. There is a lack of skilled staff for O&M⁵, and despite some positive recent developments in the legal framework which calls for training of public sector staff and ongoing efforts by the HCP in raising PPP awareness and education, there is still shortage of professional staff for sector specific PPP contract supervision and monitoring (contract compliance control).

Current practice in Lebanon with PPP is limited to short term service contract, DBO⁶, and the introduction of performance-based contracts. There is an apparent need for prior upstream PPP due diligence: defining the problem and development objectives, identifying the possible PPP option, identifying risks and their optimal distribution and structuring the contract.

3. Scope and Objective

The general objective of the workshop (Task 7b in SWIM-H2020 SM, Activity EFS-LB-2) is to enhance understanding and improve the capacity of the relevant officials and staff in the water/wastewater sector in Lebanon in the procurement of public-private partnerships with an emphasis on wastewater treatment plants.

² The Project is officially labelled under the UfM framework, supported primarily by Sida and implemented by GWP-Med and OECD. Information on all activities and access to resources are available at <http://www.gwp.org/governanceandfinancing/>

³ PPP: Public Private Partnership

⁴ Governance & Financing for the Mediterranean Water Sector and SWIM H2020 – SM (2017): Water Governance in Lebanon: Overcoming the Challenges to Private Sector Participation

⁵ O&M: Operation and Maintenance

⁶ DBO: Design Build Operate



Building on the Guidelines for PPP Procurement in the water/wastewater sector within the overall framework provided by the new PPP legislation (Task 7a in SWIM-H2020 SM, EFS-LB-2), the workshop is designed and developed in close coordination with the MoEW and HCP with valuable contribution from the Lebanese Water Project (LWP)-USAID project. There is also an agreement to build synergies and a storyline between the workshop (capacity building – conceptual) under SWIM (April 2018) and training (contract specific) under LWP (planned for Spring 2018). Also there is need to align concepts and definitions of PPPs in Water Supply and Sanitation (WSS) throughout the capacity building/training programs.

The content of the workshop is also leveraging on the current experiences of the CDR⁷ and WEs⁸.

Relevant documents are reviewed to gain overall background information that is relevant to the successful delivery of the workshop. Background reading material is selected and put together for participants.

The draft Agenda is Annexed.

4. Specific Learning Objectives

Specific learning objectives of the training include:

- To enhance understanding of the framework conditions provided by the new PPP legislation as it concerns water and wastewater infrastructure projects.
- To develop the capacity of structuring PPP arrangements for water and wastewater infrastructure projects, and differentiate the PPP process for different contract options including risk sharing.
- To manage and monitor risk in a PPP arrangement: risk allocation, risk allocation matrices, risk reduction and contract structuring.
- To make the business case for PPPs in water and wastewater, including critical enabling pre-conditions for a successful and sustainable PPP framework.
- To discuss critical factors facilitating and barriers constraining PPP projects.
- To understand the contractual key elements of O&M contracts, with emphasis on wastewater treatment plants.
- To develop the capacity of PPP contract management, supervision and contract compliance control.
- To learn from PPPs in other network infrastructure sectors (i.e. power sector).
- To introduce and discuss the guidelines for PPP procurement, tendering and contract management procedures prepared within the framework of the activity.

5. Target Audience

High level water officials and relevant staff of MoEW⁹, WEs, CDR, HCP¹⁰, Ministry of Environment and MoF¹¹ will be invited to participate in the workshop. The invitees should

⁷ CDR: Council for Development and Reconstruction

⁸ WEs: Water Establishments



be directly involved, in the procurement of water and wastewater infrastructure, in designing/analysing outsourcing options and in the management and control of respective contracts.

The target number of participants in the workshop is up to 35 persons for Part 1 of the workshop (Day 1) whereby high level officials from the above stated institutions would be also invited.

6. Methodology and Structure of the Workshop

The workshop is intended to be participatory and interactive, making use of professional learning tools including: knowledge infusion (presentations), structured case studies analysis, interactive question & answer sessions, and facilitated experience sharing allowing the exchange of personal and international/national perspectives.

The workshop is structured in two parts:

- **Part 1 (Day 1):** Introductory policy session on the PPP policy issues allowing participants, including High level Officials, to understand in depth both the provisions of the new PPP legislation and the guidelines prepared under the SWIM-H2020 SM.
- **Part 2 (Day 2 and 3):** An in-depth training for those directly involved in the procurement of water and wastewater infrastructure, in designing/analysing outsourcing options and in the management and control of respective contracts.

The workshop will take into account the different levels of the participants and will be flexible to accommodate pressing interests that are identified during the sessions.

Electronic copies of lecture material and a full set of documents will be prepared by LDK and provided to all participants. The lectures (as knowledge infusion) will be accompanied by PowerPoint presentations (PPTs). The case studies will consist of international examples of PPP arrangements.

Every day will start with a short introduction to the theme of the day and a summary of the take-away's of the previous day, to be prepared by one of a volunteering participant. Upon suggestion of the MoEW, the daily sessions are scheduled from 9h00am until 14h00pm.

The language of the training course will be English. Interpretation in Arabic will also be provided.

7. Resource Persons

- Jan G. Janssens, Wastewater and Tendering Expert
- Suzan Taha, SWIM-H2020 key water expert

⁹ MoEW: Ministry of Energy and Water

¹⁰ HCP: High Council for Privatisation and PPPs

¹¹ MoF: Ministry of Finance



8. Learning Outcomes of the Workshop

- Participants will have the ability to judge the feasibility of a potential PPP arrangement, specifically for O&M service contracts for WWTPs¹², and will be able to evaluate its business case.
- Participants will have demonstrated conceptual understanding of various PPP options for WSS, in particular service contract, management contract, operator contract, design-build-operate (-finance) contract, with contract structuring and key contractual aspects.
- Participants will be made familiar with PPP procurement procedures (tendering, bid evaluation, contract supervision and monitoring).

¹² WWTP: Wastewater Treatment Plant