

## Technical Questions related to the Sanitation Bond & Sanitation Fund

1. Is the intention that the issuance will be from an SPV or off DBSA's DMTN Note Programme?  
We note the RFP refers to an SPV but would like clarity in this respect as it will affect the quote and also strategy for go to market. This could also inform anchor investor appetite in a sanitation bond issuance.

No decision taken. As part of the fund & bond design and establishment, the appointed bidder to advise on this.

2. Has this first project been decided yet, or is this a work-in-progress?

Work-in-progress. A pipeline of potential projects is being compiled as part of an NSS Programme scale-up strategy & standardization advisory work currently underway.

3. What is the amount of funding required for the first project, how much is it per a year and over how many years? Is it skewed towards capital expenditure (CAPEX) or operational expenditure (OPEX)? Can we get more details in this respect of the first project?

Work-in-progress. To give perspective on the costing, WESS CAPEX varies from approximately R2.5m – R6m per system and OPEX approximately R50k – R300k per annum, system lifespan varies from 10 – 20 years. With scale-up, there will be an aggregation of installations for economies of scale, municipalities will be encouraged to take a programmatic approach towards implementation. Minimum project sizes can be set. The intention is for the bond to potentially cover CAPEX and the fund CAPEX and/or OPEX

4. Is the intention to create a platform to issue multiple bonds and have multiple issuers?

As part of the fund & bond design and establishment, the appointed bidder to advise on this.

5. Will DBSA/WPO be responsible for choosing the implementing party (implementer)? If so, how will this be done as it is critical to the success of a bond to pick credible implementers with a strong track record.

A possibility is for a division in the DBSA to act as the implementer / implementing agent. Alternatively the role will be procured. As part of the fund & bond design and establishment, the appointed bidder to advise on this.

6. Who will be responsible for the ongoing performance management of the Sanitation Fund and Bond post-establishment? Specifically, will DBSA retain this function, or will an independent fund/performance manager be appointed?

As part of the design and establishment, the appointed bidder to advise on this.

7. If it is envisaged for DBSA to undertake performance management, should the proposal include an element of skills and capacity development of a DBSA team to undertake the performance management effectively in line with the approach developed?

This is welcomed and to include provision for staffing of said team as part of the operationalization costing for the fund. As part of the design and establishment, the appointed bidder to advise on this.

8. If an independent performance manager is to be appointed, would involvement in the design of the fund preclude an organisation from bidding to perform the performance management of the fund?

An independent performance manager may be procured in future. Being part of the design of the instruments may result in an unfair advantage and such an organization will not be allowed to participate in bidding for the possible performance management function

9. Are there any specific requirements from the investors into the sanitation fund that we need to consider i.e.

- 9.1. Will the sanitation fund return capital and/or a return to its investors? The appointed bidder to advise on this. Currently the idea is for the Fund to support non-revenue generating projects, which limits the ability to provide a return on capital. To be explored further during the instrument design process

- 9.2. Does the fund need to be able to issue s18A certificates or be a NPO/NGO in order to receive donations from PBO's? The awarded bidder to advise on this.

- 9.3. What is the funds mandate i.e. to be an outcome based payer and provide TA to implementers? Operationalisation of the programme including management of the fund & bond, project preparation / TA funding, catalytic capital and O&M funding. To be explored further during instrument design

10. Is the 12-month timeline for setting up the fund and launching the bond?

For the fund and bond design and establishment, launch of the bond may go beyond this and is dependent on the potential pipeline of projects / market readiness.

11. Can you share if you have already secured any outcome-based funding and if so how much?

Potentially grant funding from the Gates Foundation. It varies from R5 – R10m each for the bond and fund, there is potential for this amount to increase.

12. If DBSA is not the Issuer, i.e. we go the SPV route, would DBSA look to invest into the bond to help catalyse other investors?

This will have to be investigated with the DBSA.

13. What is meant by governance documents, i.e. the bond programme documents or a board charter?

As part of the design and establishment, the appointed bidder to advise on this.

14. Are there specific lengths (tenor) and volumes of the water sanitation projects?

Implementation period varies 2 – 4 months, and may span over a period of 10 years. O&M period from 3, 5 and 10 years from installation. The volumes are unknown at this stage bearing in mind slower initial uptake to implement WESS.

15. Please can you confirm, what is meant by “Provide one (1) clear...” Is the requirement to provide **only** one (1) piece of evidence, or is the requirement to provide **at least** one piece of evidence, for both 3.1 and 3.2? **One piece of evidence for 3.1 and one piece of evidence for 3.2 as each pertains to different instrument types.**

Annex A – Provide one (1) clear, verifiable, and specific evidence for 3.1 and 3.2

### 3.1 Track record template

Project/Instrument Name:	
Instrument Type: (Social Impact Bond, Development Impact Bond, Sustainability-Linked Bond, Outcome-Based Contract).	
Role/Title: Your specific role	
Core Design & Structuring Contributions: 3-5 bullet points explicitly mapping to the criterion	
Dates & Value: Start/End dates of the design phase; size of the instrument	
Verification Contact: Name, title, organization, email of someone who can verify your role (with prior permission).	

### 3.2 Track record template

Project/Instrument Name:	
Instrument Type: (Establishing and managing blended finance funds or special-purpose vehicles in the South African/emerging market context, particularly for infrastructure or basic services)	
Role/Title: Your specific role	
Core Design & Structuring Contributions: 3-5 bullet points explicitly mapping to the criterion	

16. Under the “Functional Evaluation Criteria,” **Section 2**. Experience and track record is followed by “3.1” & “3.2” – should the technical response make reference to 2.1 & 2.2 or 3.1 & 3.2? (Noting that **Section 3**. refers to Team.

Yes, that is correct. It should reference sections 2.1 and 2.2; there was a typographical error in the numbering.

2.	<p><b>Experience and track record</b> - The financial institution experience in designing bond and fund instruments as envisaged in the proposed Sanitation Bond and Sanitation Fund structures</p> <ul style="list-style-type: none"> <li>3.1: Demonstrated, verifiable experience in designing and structuring outcome-based / results-based financing instruments (e.g., Social Impact Bonds, Development Impact Bonds, Sustainability-Linked Bonds) or similar (21 points)</li> <li>3.2: Proven experience in establishing and managing blended finance funds or special-purpose vehicles in the South African/emerging market context, particularly for</li> </ul>	<p>Bidders must achieve a minimum score of 70% on this requirement. Proposals failing to meet this threshold will be disqualified.</p> <p>Provide one (1) clear, verifiable, and specific evidence for 3.1 (Refer to Annex A for a score guideline)</p> <p>Provide one (1) clear, verifiable, and specific evidence for 3.2 (Refer to Annex A for a score guideline)</p>	30
3.	<p><b>Team</b> - Details of the financial institution team members that will be directly involved in the design of the bond and fund instruments</p> <p>Minimum five (5) Team Composition &amp; Capabilities: CVs of the proposed core team, demonstrating a blend of expertise in structured finance, project finance, debt capital markets, legal/regulatory compliance, environmental/social impact, and the sanitation sector. Clear roles and responsibilities with organogram. (30)</p>	<p>Bidders must achieve a minimum score of 70% on this requirement. Proposals failing to meet this threshold will be disqualified.</p> <p>(Refer to Annex B for a score guideline)</p>	30
TOTAL		100	

17. Please can you confirm, what is meant by the “objective criteria” under Section “27. Risk Analysis and Objective Criteria” particularly as it relates to awards. Does this relate to already awarded tenders?

The objective criteria that the DBSA may apply in this bid process includes:

- I. Any bidder that has a cumulative order book totalling 5 Awards with outstanding value, may be excluded from further evaluation.
- II. Where a bidder has 5 active Awards with an outstanding value and the outstanding value is 10% or less, indicating the project is nearing completion, the bidder may be included for further evaluation and/or recommendation for award.
- III. Where a bidder has 5 active Awards with an outstanding value and at least one of the projects has stalled for a period of 6 months or more, or the client has placed the project on hold indefinitely, the bidder may be included for further evaluation and/or recommendation for award.
- IV. The DBSA has the discretion to apply an objective criterion.

This provision applies solely to active contracts. The DBSA reserves the right to apply the objective criteria in instances where it identifies a concentration risk, particularly when a bidder holds a cumulative order book of five or more awarded contracts with outstanding value yet to be delivered.