WATER FOR GROWTH AND DEVELOPMENT IN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY REGION (SADC)

PRESENTATION AT THE FOURTH WORLD WATER FORUM

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BY

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PRESENTATION OUTLINE

1. BACKGROUND TO SADC WATER PROGRAMME

2. CREATING THE ENABLING ENVIRONMENT FOR IWRM IMPLEMENTATION

3. THE PARADIGM SHIFT: THE REGIONAL STRATEGIC WATER INFRASTRUCTURE DEVELOPMENT PROGRAM (RWISDP)

4. IMPLEMENTATION OF THE RSWIDP

5. FINANCING OPTIONS FOR RSWIDP

6. CONCLUSIONS
14 Member States with two island states

Aim: to become an integrated regional economy on the basis of equity & mutual benefit

Surface area: 9.3m km$^2$

Population: 210m

GDP (2002): USD226bn

Characterized by multiple shared water courses (15) and aquifers

High spatial and temporal variability in water resources availability
Prevalence of droughts (91/92, 94/95) and floods (87/88, 99/2000, 2001)

- high levels of poverty and lack of access to save drinking water and sanitation;
- Wide spread food insecurity due to low agricultural production;

Predicted increase in total water use over 10 years

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Strategic role of water in the SADC Economies

• From a study commissioned by the World Bank 2004 it was shown that:
  • under-development in the region is reflected in the levels of coverage of basic water supply services
  • a heavy reliance on the agriculture sector and this is also reflected in the economies of most countries in the region
  • The region has great potential to generate energy but this is underdeveloped.
  • Water is required by virtually all economic activities and investment in the infrastructure needed to provide water is a necessary precursor for economic growth.

There is a very close Correlation between water Development and economic Development and ability to Withstand water shocks.
Creating an Enabling Environment for IWRMD

- SADC adopted the Protocol on Shared Watercourse Systems 1995, which came into force in 1998,
- Revised in 2000 and came into force in 2003;
  - OBJECTIVE: “foster closer cooperation for judicious, sustainable and coordinated management, protection and utilisation of shared watercourses”
- Developed the Regional Strategic Action Plan in 1998 (for implementation in 1999 – 2004),
- RSAP addressed mainly enabling environment aspects of IWRM (e.g. Capacity building, information collection & dissemination, stakeholders participation, policy strategy development and legislation harmonisation)
- RSAP1 was Reviewed in 2004 and a new RSAP 2 Adopted in 2005 with a focus on water and development:
  - Infrastructure Support,
  - Water Governance
  - Capacity Building
  - Water Resources Management, Planning and development
- Policy was adopted in 2005 by SADC Council of Ministers;
The Paradigm Shift: Regional Strategic Water Infrastructure Development Program (RSWIDP)

**Background**

- The need for infrastructure development in the region was already identified during the formulation of RSAP1 1997
- Minister of water decided that this should be build on a solid enabling environment, hence the focus of RSAP1
- Requirement for regional water infrastructure development was then reaffirmed in RISDP in 2003 (two main specific targets, “Develop by 2015 water infrastructure needed to double land under irrigation and half proportion of people without access to safe drinking water and sanitation”)
- Feeling from MS that development of physical infrastructure that makes a difference to peoples lives was needed
- MDG’s and adoption of IWRM were the principal drivers
- Proposed RSWIDP to build on the RSAP-IWRM progress and to give content as well as to complement and sustain the enabling environment being established
Conceptualization of the RSWI DP

Key programme in relation to:

- **Poverty Eradication**

- **Occurrence and availability** of water is an essential requirement for almost all economic activity (particularly influencing the level of poverty from an individual perspective).

- the **utilisation and provision** of water by means of **appropriate Water Infrastructure** will invariably have some impact on poverty no matter how poverty is defined and measured.

- A positive impact on individual and national poverty will have a cumulative positive impact on overall regional poverty.
Regional Strategic Water Infrastructure Development Programme Schematic
RSWIDP Goals and Objectives

Goal

'To contribute in a meaningful and material manner to the reduction and eventual eradication of poverty throughout the SADC region by the integrated management and equitable development and utilisation of the water resources of the SADC region across all sectors of society'.

Mission

'to define and implement a strategic programme for regional water infrastructure development within the framework objectives of the RSAP2 that will include the overall SADC goals of poverty reduction and economic and social development as well as the specific water-related objectives and targets of the RISDP.'
The RSWIDP should thus:

- embrace the crucial aspect of water as a cross-cutting issue in all aspects of economic and social development.

- embody the very significant strategic role that water plays in regional integration, conservation of resources, economic growth and poverty alleviation.

- articulate how the development of water infrastructure contributes to the mutually dependent issues of national and regional economic growth and poverty reduction.

- emphasise both to decision/policy makers in Member States and to development partners/donors that the development of a stock of national or regional water infrastructure projects is not just a ‘water’ issue but a fundamental requirement to reduce constraints on growth and vulnerability to climate variability.

- be designed to ensure that water can be made available where and when it is needed to support other sectors.
RSWI DP
Preparation of a Regional Strategic Water Infrastructure Development Programme

Locations of all the 134 Projects Submitted by Member States
RSWI DP Projects distribution by country

Angola - 13  Botswana - 8  Namibia - 27
DR Congo - 15  Lesotho - 9  South Africa - 11
Malawi - 5  Madagascar - 1  Swaziland - 5
Mauritius - none  Mozambique - 13  Tanzania - 10
Zambia - 5  Zimbabwe - 3

134 Projects Identified
RSWI DP Projects Distribution by Type

134 Projects: Project Types

- Institutional capacity building: 1%
- Integrated Water Resources Management: 14%
- Strategies / Feasibility studies: 9%
- WSAS: rehabilitation & new works: 25%
- Irrigated Agriculture: new works & rehabilitation (canals etc): 12%
- Bulk water supply – dams, transfers etc: 5%
- Hydropower: 31%
- Catchment / Lake development: 3%

Legend:
- Light blue: Institutional capacity building
- Red: Integrated Water Resources Management
- Light pink: Strategies / Feasibility studies
- Yellow: WSAS: rehabilitation & new works
- Dark red: Irrigated Agriculture: new works & rehabilitation (canals etc)
- Light red: Bulk water supply – dams, transfers etc
- Blue: Hydropower
- Dark green: Catchment / Lake development
Implementation strategy for the RSWIDP

RSWIDP Phase 1 - General Overview

- Initial Phase 1 RSWIDP to cover a 10 year period (2005 - 2015) to correspond with RSIDP priority intervention targets (cut by 50% proportion of people without access to safe water; double land under irrigation)

- Up to 5 projects to run concurrently during this initial Phase 1 RSWIDP

- To be launched and tested with a Pilot Project during years 1-3 in order to clearly define the roles of all stakeholders ie SADC, Member States, funding agencies etc

- To be a dynamic programme adapting to changing regional policies and priorities and incorporating additional project proposals

- The RSWIDP to be developed and managed by a dedicated Programme Management Unit (PMU) linked to SADC Water Division

- The RSWIDP to be independently funded for all management and operational functions

- The RSWIDP to actively promote itself with all Member States
The Role of SADC in the Implementation of the RSWIDP

**as an Advisor**

- To advise Member States in the preparation of suitable ‘bankable’ project proposals
- To provide necessary information and data on all existing and potential cross-sectoral water utilisation and requirements on a regional basis as a basis for RSWIDP project development.

**as a Facilitator**

- To actively engage with financial agencies to seek suitable funding for both project preparation activities as well as for the implementation of approved RSWIDP projects, and coordinate liaison between such agencies and individual Member States.
- To continue to promote the adoption of IWRM and regional resource management as part of the RSWIDP.
As a Manager

- provide all management and administration services for the duration of the Programme

- monitor Programme development and progress in an agreed manner and provide feedback to all stakeholders, including Member States, financing agencies and other regional organisations.

- seek and maintain funding for all management activities related to the RSWI DP actively promote the benefits of the RSWI DP with respect to the attainment of the MDG’s and SADC Goals throughout the region.
To successfully manage and develop the RSWIDP, it is considered that the SADC Water Division will need to be assisted by an outsourced and separately funded RSWIDP Programme Management Unit.

The Programme Management Unit will be the key to the success of the Phase 1 RSWIDP. It will form the SADC coordination centre for all projects undertaken under the Phase 1 RSWIDP, and will specifically:

- Facilitate between Member States, and individual funding agencies with regards to project formulation requirements and subsequent funding mechanisms.

- Hold all information relating to actual and potential projects across all sectors and maintain and further develop the RSWIDP project database for data sharing by Member States, other SADC Divisions and funding agencies.

- Liaise with other SADC Divisions and regional organisations (RBO’s, NGO’s) with respect to plans and projects that involve water, and water infrastructure development, and coordinate SADC involvement in this regard.
SOME Basic Facts:

• Water projects are the least attractive form of infrastructure investment to the private sector.

• Alternative energy, telecommunications and transport projects are more attractive in terms of financial returns.

• Water infrastructure projects tend to be either
  • too large to be funded by aid, or
  • too small and risky to bear the high overhead costs of private finance.

Financing risks
  • political,
  • financial,
  • performance related and
  • reputational

are seen as high in the Water Sector, as are risks associated with

• long term financing
• low returns
Different Sources of Funding will be explored depending on Project type and size:

- **Informal – small funding**
  - Water users (business, small utilities, farmers)
- **Informal suppliers – tanker deliveries etc.**
  - NGOs with local communities

- **Formal – small financing**
  - Public Water Authorities and utilities, funding development from revenue, loans, subsidies.
  - Private companies, funding as for PWAs and from equity.

- **Local Institutions**
  Local banks and institutions – short to medium term loans at market rates.
  - **Government**
    National central and local governments providing subsidies either by guarantees of loans of from proceeds of bond issues
  - **International Institutions**
    International banks and export credit agencies – providing larger volumes of finance than local sources against corporate guarantees or project cash flow
Financing Options.....

Multilateral Financial Institutions (MFIs) providing loans at near market rates.
- MFIs are a critical component of financing water infrastructure projects through grants, loans and guarantees.

- **Official Development Assistance (ODA)**
  International aid from multilateral or bilateral sources available as loans on concessional terms or grants.
  - This is defined by the OECD as financial transfers with a minimum grant element of 25%, and is generally known as 'aid'.

- **Development Finance Institutions (DFIs) and Other Infrastructure Funding Mechanisms**

- **SADC Project Preparation and Development Fund (PPDF)**
  - Window I, which will provide funding for the preparation of projects to a bankable level, and
  - Window II, where bankable 'hard' projects can be directly financed.
CONCLUDING REMARKS

• Water is critical for all our development initiatives as a means to an end therefore a driver;
• An enabling environment is critical for success and sustainability of water programmes – should be maintained and natured;
• At a regional level our interventions should be strategic and add value to ongoing member states initiatives;
• With a multiplicity of shared watercourses in SADC it is imperative that there is collective and collaborative to water development and management;
• Project development financing is important to ensure project bankability;
• A mix of hard infrastructure and management aspect of is important for sustainability.
THANK YOU         MUITO OBRIGADO

MERCI BEAUCOUP

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