Mobilising resources for PIDA Water Projects

18 January 2021
Session Objective and Outcomes

Session Objective
Sharing strategies and experiences for mobilisation of resources to transform the investment outlook for PIDA Water projects and other transboundary water projects prioritised by Lake and River Basin Organisations and Regional Economic Communities.

Session outcomes
- Strategies on how to incorporate the private sector, development partners and Member States in the mobilisation of resources for regional water infrastructure projects identified.
- Strategies for raising the profile and attracting bundled NEXUS investment approaches into PIDA Water projects identified.
General Housekeeping

• French interpretation is available for French speaking participants
• Please ensure your mic remains on mute
• Please make use of the chat function to ask any questions you might have for the Q&A session
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Opening Statement

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Director, Programmes Management and Delivery, AUDA-NEPAD
PIDA Water Presentation

Presented by: Dr Towela Nyirenda-Jere
Principal Programme Officer - Regional Integration, Infrastructure and Trade Programme, AUDA-NEPAD
AIP PIDA Water Investments Support Programme
Resource Mobilisation Strategy

Presented by: Dr Loreen Katiyo
Transboundary Water Governance & Environment Specialist, PIDA Water
AIP PIDA Water Investments Support Programme

A response to accelerate preparation of Transboundary water projects lagging behind

In November 2017, NEPAD Agency and the African Ministers Council on Water (AMCOW) commissioned a review of the implementation of transboundary water projects under PIDA PAP I. According to the review, water projects showed little progress compared to projects in other PIDA focus areas: ICT, Energy, and Transport.

‘As of today progress in these projects is slowed down by several factors including low capacity for project preparation; lack of financing, including PPP; lack of clear institutional arrangements for implementing the PAP, including the role of the RECs, LRBOs, and Member States. Currently even information on the current status of some of the PAP projects is not readily available.’ – Evaluation Report

To address the lack of progress in implementation and focus attention on water, AUDA-NEPAD in collaboration with Global Water Partnership has established ‘PIDA Water’.
Goal & Objective of AIP PIDA Water Investments Support Programme

GOAL
To promote job creation through accelerated planning, preparation, financing, and implementation of regional and transboundary water investments

OBJECTIVE
To strengthen the enabling environment for planning, project preparation and financing of integrated regional, transboundary water investments that are coordinated with investments in energy, food health, ecosystems, and the Covid-19 regional recovery plan
Why develop a Resource Mobilisation Strategy?

Objectives of a Resource mobilisation strategy with respect to PIDA Water are:

- **Promotion**: to promote the financing of PIDA PAP 2 priority water projects to potential financiers across a broad spectrum including all potential public and private financing sources.
- **Brokerage**: to broker strategic linkages between project owners and suitable financiers.
- **Facilitation**: to provide ongoing facilitation of resource mobilization through project cycles.

Objectives of a Resource Mobilisation strategy for individual projects:

- **Readiness and investment confidence**: to address readiness and investment confidence criteria.
- **Enabling environment**: to ensure that the institutional, policy and legislative environment is adequate for the development of the planned project.
- **Capacity assessment and enhancement**: to ensure that the technical, administrative and institutional capacity required to undertake the project is adequate.
- **Securing finance**: to ensure project owners secure suitable financing for each stage of the project cycle including concept development, prefeasibility, feasibility, detailed design, construction and commissioning.
OVERVIEW OF POTENTIAL FINANCIERS

Bilateral agencies
- International Bank for Reconstruction and Development (IBRD) - World Bank Group
- African Development Bank (AfDB)
- European Bank for Reconstruction and Development (EBRD)
- Islamic Development Bank (IsDB)
- Development Bank of Southern Africa (DBSA)

Multilateral agencies
- China Import/ Export Bank
- Kreeditanstalt fuer Wiederaufbau (KfW) – Germany
- Bilateral development agencies (e.g. GIZ, SIDA, Norad, FGEF, Netherlands Embassy, UK Aid etc.

Special Purpose Funds
- Green Climate Fund (GCF)
- Global Environment Facility (GEF)
- Adaptation Fund
- Special Climate Change Fund (SCCF)
- Least Developed Country Fund (LDCF)
ELEMENTS OF RESOURCE MOBILISATION

Financial Landscape Assessment
- Funding tiers and types of financiers
- Overview of current and potential financiers
- Progression of funding needs and identification of suitable investors
- The role of eligibility criteria
- Gender transformative financing

Resource Mobilisation Decision tree
- Phase 1: Development context assessment.
- Phase 2: Resource option determination.
- Phase 3: Preparation for engaging with financiers.
- Phase 4: Closing agreements with financiers.
- Phase 5: Financing project Implementation

Resource Mobilisation Plan
- Development of detailed project concept note
- Identification of institutional mechanism for project implementation and operation
- Capacity assessment & development plan
- Resource mobilization plan for the 3 project stages

6th PIDA Week January 2021
DECISION TREE

Phase 1: Initial development context assessment

Stage 1: Initiation

Does the project need the support of the AIP?
Some projects already have well established institutional mechanisms for resource mobilization.

Yes

No

Is the project likely to be economically viable & benefit the people?

Yes

Proceed to Stage 2

No

Do Not Proceed
Collect all available technical data and reports. Collect related policy and legislation. Collect related agreements, development strategies and plans. Is government information adequate to assess project?

Yes  

No

Collect all available related documentation & data from development partners and donors. Is information sufficient to evaluate project history and perception?

Yes

No

Review project media coverage, NGO & Civil Society related documentation. Note opposition and negative perspectives

Proceed to Stage 3

Do Not Proceed
DEcision Tree

Phase 1: Initial development context assessment

Stage 3: Current Status Analysis

Assessment of current status and project history
Are there ‘red flags’ which indicate high risk factors

- No
  - Proceed to Stage 4

- Yes
  - Can risks be mitigated?
    - Yes
      - Proceed to Stage 4
    - No
      - Do Not Proceed
Assessment of current status and project history

**Project Description**
Develop an independent project description to fully and accurately describe the project.

**Project History**
Describe the history of the project up to its current status including the process of agreements reached, opposition to the project, etc.

**Project Stage**
Determine and define the current stage of project preparedness.

**Multi-sector project awareness**
Determine the extent to which the project is multi- or single-purpose and the buy-in of related sectors/ministries, for example – Ministry of Agriculture/Irrigation, Urban Development, Planning, Finance etc.

**Resources utilised to date**
Determine the resources accessed and spent on the project to date including the amounts, the sources of finance, the purpose of financing, the outputs, and the achievement of targets.

**Views of previous project supporters**
Determine the perspective on the project, as far as possible, of the financiers and donors who have been involved to date. Would they be prepared to continue to support the project – if not, why not?
Assessment of Political Economy Analysis
Are there ‘red flags’ which indicate high risk factors

No
Proceed to Phase 2

Yes
Can risks be mitigated?

Yes
Proceed to Phase 2

No
Do Not Proceed

Stage 4: Political Economy Analysis (Non-technical influences)

Phase 1: Initial development context assessment
Assessment of Political Economy factors

**Country level factors**
- Security and peace – absence of internal and external conflict
- Political stability
- Levels of rent seeking, inadequate financial management
- Misappropriation of public funds and abuse of office
- Politicisation of development
- Adequate enabling policy and legislation
- Ease of doing business and integrity of procurement systems
- Incentives and motivations of key decision makers
- Level of public awareness & support / opposition to project

**Transboundary factors**
- Do existing formal agreements / treaties cover the project?
- Does a functioning River Basin Organisation exist?
- Is there a sufficient level of trust and cooperation amongst riparian states related to the specific project?
- Does the project fit within an agreed Basin plan or strategy?
- Does sufficient capacity exist in the RBO to undertake the project?
- Has formal notification of all riparian states been given?
- Does the RBO have a good track record of delivery?
Identify key elements of project
- Gender equity
- Environmental consideration
- Climate change
- Water and food security
- Disaster risk management
- Health and hygiene
- Carbon footprint
- Etc.

Match project areas with potential financiers
- Does the project meet financier’s criteria?
- Are the funds available sufficient?
- Is the level of effort to apply & use the funds worthwhile?
- Are the application processes within capacity limits?
- Are the procurement, management & reporting requirements within capacity limits?
- Is the support in the form of a grant, loan or mixed financing?

Special events to identify / attract potential financiers
- Donor conferences
- Diplomatic approaches
- High profile events – DAVOS etc.
- Global water events – World Water Week etc.

Proceed to Phase 3
Provide support to the project owner to prepare the necessary documentation, studies etc. to meet the requirements of the targeted financiers.

- Determine what is required to meet the requirements of the financiers.
- Assess the capacity of the project owners to meet requirements.
- Support the procurement of required specialists / consultants.
- Provide technical review and support where required.

Proceed to Phase 4
Provide support to the project owner to prepare the necessary documentation, legal papers etc. to close agreements with targeted financiers.

- Determine requirements for legal, administrative, financial management, procurement, social & environmental safeguards, and other measures required to enter into agreement with the financier.
- If necessary and requested, support the project owner in the procurement and management of out-sourced Transaction Management Services.
- Support the project owner to meet capacity and administrative standards required by financier – procurement, financial management, technical oversight, monitoring & evaluation, reporting requirements etc.
- Ensure that public expenditure provisions have been put in place to meet own financing contribution agreements if required.

Proceed to Phase 5
DECISION TREE

Phase 5: Financing project implementation.

Is the project ‘Bankable’?

- Yes: Proceed to financing
- No: Are the problems with ‘bankability’ resolvable?
  - Yes: Resolve problems
  - No: Do Not Proceed
FACTORS AFFECTING BANKABILITY

• The societal merits of the project
  o Number of people the project will benefit & extent of job creation and poverty reduction
  o Extent of improvement of water and food security.
  o The equitability of the project – gender, social mobility, etc.

• The economics of the project
  o Financial viability—will revenue & income cover costs of loan servicing, O&M etc.?
  o Does the project have a favourable cost-benefit ratio?
  o Will the project contribute to the increase of national debt to unsustainable levels?

• Project preparation and implementation
  o Has the project been prepared to international standards?
  o Is there sufficient technical and administrative capacity to implement the project on time and on budget, and to operate & maintain the asset?
  o Are there sufficient controls & procedures to ensure proper financial management & control, procurement, etc.?

• Project externalities
  o Is there peace and security in the country?
  o Is there political, social, and economic stability?
  o Are investors’ inputs secure and returns assured?
Summary of Elements in Resource Mobilisation Plan

- Development of detailed project concept note, including detailed costing
- Identification of institutional mechanism for project implementation and operation
- Capacity assessment & development plan
- Resource mobilization plan for early project preparation & pre-feasibility studies
- Resource mobilization plan for project preparation & feasibility studies
- Finalisation and securing finance for project construction
Accelerating private sector investments in water infrastructure

Presented by: Mr Graham Chingambu
Fund Manager, SADC Water Fund, DBSA
Mobilising Resources for PIDA Water Projects

Case study - Lesotho-Botswana Water Transfer Project

Virtual Session. 18th January, 2021

Lenka Thamae – Executive Secretary
ORASECOM
www.orasecom.org
1. Basin Area: 1 million sq km.
2. Rainfall: 1800mm in Lesotho highlands to 45mm at River mouth.
4. Average annual natural runoff: 12,000 mill. cub. metres less than half the natural flow reaches the river mouth on the Atlantic Ocean.
THE LESOTHO-BOTSWANA WATER TRANSFER PROJECT
Introduction

Project idea agreed to at ORASECOM Ministers meeting in March 2011 initiated from request by the Botswana Minister.

Overall purpose, is to deliver 150 million cubic metres of water per annum to Botswana, and 50 million cubic metres of water per annum to both Lesotho and South Africa.

A dam is to be built on the Makhaleng river in Lesotho, the water will then be used for access to communities in Lesotho, access to communities along a conveyance pipeline through South Africa, and an agreed quantity delivered to Botswana.

Since the overall difference in elevation between the proposed dam site in Lesotho, and the final delivery point in Botswana is around 400 metres, the project is also expected to deliver some hydropower, which will be loaded onto the regional power grid.
L-BWT transfer routes
Hydropower Potential Along Conveyance Route
Institutional Structures and Agreements

i. Overall political oversight provided by Forum of the Parties (ORASECOM Ministers).

ii. Memorandum of Understanding for delivery of Desktop Study signed in March 2013 by Botswana, Lesotho and South Africa. Namibia as witness.

iii. Desktop study finalised 2015, financed by the World Bank USD 2 million, co-financed and overseen by Botswana.


v. A Joint Study Management Committee established, comprising officials from Botswana, Lesotho, South Africa. Namibia officials participate as witnesses.

vi. ORASECOM Secretariat appointed as Client/implementing agent for the combined pre-feasibility and feasibility studies.
Fundraising and Financing

- Fundraising and financing for the desktop study was realised by state Parties led by Botswana. The World Bank was the lead financier.
- Fundraising beyond the desktop study has relied principally on mobilising partnerships, first in line being the GWP-SA.
- In addition fundraising has included promoting the project at the Regional Economic Commission (SADC) where the project now features as a regional priority project.
- In addition the project has also been prioritised at AMCOw level, and is currently also being considered for PIDA PAP 2.
- Current funding and support agencies include: AWF, NEPAD IPPF (both within the AfDB), SIWI, CRIDF, AUDA-NEPAD SDM, GWP, GIZ.
- State Parties have also made very significant cash contributions to the project.
- A total of around 5 Million Euro has been realised for the project thus far.
Challenges and Opportunities

Opportunities:
• Completion of joint basin level integrated water resources management plan which also identified priority infrastructure projects.
• Solidarity – demonstrated by willingness to cooperate in large scale multiple use projects that generate benefits for multiple States, and contributing to regional economic integration.
• Previous experience in cross border projects on water.

Challenges:
• Navigating trade-offs among user allocations within a river basin with diminishing additional yield and increasing demands. Including balance between commitments to historical allocations and addressing previously unserved needs and communities as well as the environment.
• Timely decision making (rallying states towards consensus).
• Future uncertainties of climate change.
Thank you
Q & A Session

Facilitated by: Mr Alex Simalabwi
Executive Secretary of GWPSA and Head of GWP Africa Coordination Unit
Closing Remarks

Dr Towela Nyirenda-Jere
Principal Programme Officer - Regional Integration, Infrastructure and Trade Programme, AUDA-NEPAD
Questions

Judith Reker, freelance journalist. Question for Towela Nyirenda-Jere - Are any of the water needs projections you mentioned openly accessible, ideally including open data? Could you point me to them?

Mike Tumbare from Harare. Question for Mr Adoum. Could you please share the Screening & Prioritisation Tool being used for selection of PIDA Projects? Which Nexus are the resultant selected Projects generally biased to?

Adel El Gendy - water projects must not be merely water .. but to be a holder for many projects and activities such as tourism birthed and inter-transportation ..my question is are there a mechanism to fund these added value projects within the financing strategy

Charles Reeve - The slides being presented are extremely helpful. Will they be made available after the meeting?

Tahani Sileet - Is that a new process after selection of PIDA projects? and how does one apply in order to consider a certain project under AIP?

Ziyanda Mpakama from SIWI. Water infrastructure projects struggle to attract financing, particularly private funding as they are largely viewed as uncommercial because of low tariff rates. Does the resource mobilisation strategy address the need for tariff reforms in some jurisdictions?

Patience Mukuyu - What are your thoughts around the sufficiency of data and information available to make accurate project projections that can attract investors?

Marwa Khattab from Egypt - what if the transboundary project can harm another country, what will be the procedures?

Eng. Dr. Mkhuzo Chongo - Graham: Is there a minimum and maximum amount of financing that can be accessed through DBSA for water investments? Does DBSA provide support for project preparation?

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