

STRENGTHENING AND DEVELOPING THE INSTITUTIONAL FRAMEWORK FOR THE CLIMATE RESILIENT INFRASTRUCTURE DEVELOPMENT IN SADC

Background to CRIDF

The Climate Resilient Infrastructure Development Facility (CRIDF) is DFID's water infrastructure programme for Southern Africa. Working to deliver sustainable small-scale infrastructure across continental SADC countries, the demand-driven programme focuses on water services, water resource management, and water for livelihoods, fostering sustainable development of the region's water resources and addressing the water, food and energy nexus. CRIDF includes a component which is focussed on developing strategic projects, providing innovative financing options and building the institutional framework to ensure the sustainability of the programme. The objective is to be transformational in terms of the impact on building climate resilience for the poor in Southern Africa. This compliments CRIDF's portfolio of infrastructure projects as it seeks to change the enabling environment in which CRIDF and other climate resilient infrastructure projects are designed, managed and governed.

The institutional study

CRIDF has developed rapidly since its inception with numerous small water infrastructure projects currently under preparation and implementation which will build climate resilience for the poor in Southern Africa. The current phase of the facility will come to an end in March 2017 and the objective of the institutional study is to review how CRIDF could become a sustainable facility in the longer term. This was achieved through engagement with key stakeholders both internal and external to CRIDF. Those consulted include the SADC water sector, River Basin Organisations, donors and financiers and there was also a review of investment and project preparation facilities. Based on this future options were identified and evaluated.

The SADC water sector

The SADC water sector has made significant progress with the implementation the Protocol on Shared Water Courses since it was signed in 1995 allowing it to present itself as the first regional economic community to have experienced implementation of transboundary management under a legal framework. This framework has developed significantly with the setting up of River Basin Organisations (RBOs) which are now in place across almost the entire region and which are gradually developing capacity. The Regional Strategy Action Plan (RSAP) was conceived as a support programme for the water sector policy of regional integration among SADC members. It has developed through three five year plans initiated in 2005 with the current RSAP running from 2011 to 2015. A recommendation in the review of RSAP undertaken in 2014 was that the role of the SADC WD to facilitate and support regional infrastructure required technical capacity for infrastructure planning and finance which could be potentially outsourced to a partner/ implementing agent. The plans for regional infrastructure development are presented in the SADC Vision 2027 Regional Infrastructure Development Master Plan which sets ambitious targets which include: increasing surface water

storage; developing irrigated agriculture; developing hydropower installed capacity; increasing the provision of safe water; similarly increasing sanitation provision; and increasing abstractions. Overall the plans for future infrastructure development are very large and the importance of the development of transboundary water resources is confirmed. There is indeed plenty of scope for CRIDF to further support SADC achieve its goals in this key sub-sector.

River Basin Organisations

Since the year 2000 there has been remarkable progress with the establishment of RBOs and SADC is now more advanced than most other regions in the world. Some of the RBO organisations are young in nature and the institutional RBOs are not complex in structure. In some instances several basins form a single organisation (for example, the Buzi, Pungwe and Save). The RBOs are supported by the SADC Water Division when required especially where the secretariats are not permanent. In general the RBO's do not have a mandate for infrastructure development which rests instead with the member state organisations, but, there are clear signs that as RBO capacity develops they will play a much greater role in the development of transboundary water infrastructure. While studies have been done on the majority of the basins within SADC, there are only a few comprehensive strategic/ basin management plans in existence for its shared watercourses. Some of the member states have bi and tri lateral agreements in place with a transboundary approach a priority.

Donors and financiers

A number of bi-lateral donors are operational in the SADC region and contacts were made with DANIDA (Denmark), SIDA Sweden), DGIS (Netherlands), SDC (Switzerland) and NORAD (Norway). The representatives contacted were cautiously supportive on the principle of a possible project preparation and finance blending facility since several of them are exploring ways of increasing private sector investment. Most identified other facilities currently active in the region and all were willing to engage in further discussions when more details are available. The largest donor is the EU which contributes funds to several project preparation facilities in the region (IIPSA and PPDF for example) but also finances the EU Africa Infrastructure Trust Fund (AITF). The most active development banks are the AfDB, EIB, KfW and DBSA. AfDB supports the African Water Facility, with which CRIDF is already collaborating, and the NEPAD IPPF, while EIB has run the EU AITF on behalf of the EU. KfW has provided funds to the SADC PPDF and the SADC Regional Water and Sanitation programme while DBSA provides a project preparation management team for the SADC PPDF and IIPSA.

Investment Facilities

There are a large number of project preparation facilities in Africa but only a very small number that cover Southern Africa and include the water sector. The largest has been the EU AITF, which was the EU's first blending facility, but this to date has had very limited involvement in the SADC water sector. It is due to be replaced this year by the EU Africa Investment Fund under which the EU is planning large grant disbursements working with the fund's associated banks to undertake project preparation and leverage project financing. The most active is the African Water Facility which supports some 32 projects in the mainland SADC region with grants that vary from €50,000 to €500,000 and CRIDF has

provided some support to AWF projects. The most recently established facility is the SADC PPDF which was launched in 2008 but only became operational in 2015 when two projects have been approved but neither of which are in the water sector. This facility has put in place governance arrangements within the SADC institutional set up for the approval of grants and the process is managed by the DBSA. A particularly relevant initiative is the Cooperation on International Waters in Africa (CIWA) which is currently supporting both long term engagements in key transboundary basins, and short term catalytic activities across the African continent through a programme of \$71 million. Overall it is concluded that there is relatively little formalised project preparation activity within the CRIDF target niche in the SADC region but that there is potentially scope for further collaboration with facilities such as the EU AfIF, AWF, the SADC PPDF and CIWA.

Emerging principles

A number of principles have emerged from the study findings.

A transboundary niche? The review confirmed the importance of continuing to support the management of transboundary water resources and also the importance of paying more attention to climate change. It is concluded that transboundary water resources should continue to be a key niche in the portfolio of possible water sector projects but that the possibility of widening this window should not be excluded.

Hydro-supportive vs hydro-centric? Whilst water is the essential 'entry point' for the discussion on rational uses of resources, cost and benefit sharing between countries and on joint planning other key planning and delivery sectors have to be engaged, alongside the water sector, for meaningful decisions on investments in infrastructure. How to move to this hydro-supportive approach without losing the essential focus on the management of the (water) resource is a key emerging issue.

Scale matters? It is important to address small scale infrastructure but it is also considered necessary to deal with larger projects in order to increase the impact of what will be achieved and also generate greater value for money from the project preparation funds.

Pipeline development? The present CRIDF pipeline has relied upon SADC sanctioned project lists such as the RIDMP. This should continue but the stakeholder analysis has also highlighted the possibility that pipelines could be organised by river basin under the tutelage of the River Basin Organisations which could then be added to the SADC approved project lists. In addition infrastructure project list sanctioned by other sub-regional bodies should be continued.

Greatest value in the project cycle? A common complaint from financiers is that it is hard to find bankable projects. The critical stages of the project cycle in which project preparation assistance is needed are the early stages involving project identification, pre-feasibility and feasibility study.

Flexible and responsive? CRIDF supports SADC in the implementation of its strategy for the water sector and benefits from a Memorandum of Understanding. The existing pipeline has been developed around projects submitted to SADC in the past, and this system could be continued in the future as there remains a long list of potential projects. Such a system allows flexibility and responsiveness

allow for rapid progress and deployment of resources. Whilst a more formal system could be considered it should not curtail this critical aspect.

Risk and reward: private sector drivers? In the private sector, decisions on investment are made at board level, and are (in the most) driven by risk and return considerations. Early engagement with the private sector will yield positive outcomes.

Stakeholder partnership? Beneficiary ownership is very important and this has also been seen to be an important factor in other project preparation facilities and for that matter infrastructure projects.

Duplication of project preparation facilities? Despite the fact that there are a substantial number of PPFs in Africa there are none that are currently operating in quite the same area as CRIDF. If CRIDF were to expand to include project preparation of medium to large projects that there would be potential overlaps which would have to be carefully managed.

Guaranteeing quality? A recent ICA review of PPFs in Africa identified the need for the PPF to operate with a high degree of independence and the importance of associating an IFI in project preparation from an early stage in order to ensure the preparation of bankable projects.

Can the pooling of grant funding become a reality? Initial contacts with donors have resulted in a cautious, but broadly positive, response on this matter but it is recognised that donors are locked into their existing programmes and budget cycles so change will take some time.

Link financiers early in the project cycle? The EU blending facilities have leveraged a substantial amount of financing for infrastructure projects worldwide by using EU grants to support financing operations from development banks such as the EIB. A key recommendation is that financiers should be closely associated with project preparation from the earliest stages of development.

Possible options

Extend the current model. This would be a continuation of the existing model which operates under a MoU from SADC and implements projects which are on approved SADC lists. The model would be amended to take on board some of the emerging issues described above, for example, it could also be expanded to include medium to large projects. It is able to maintain a minimum of administration and to offer a rapid response to requests. Participation by other donors could be envisaged and active involvement of financiers in the development of bankable projects from the earliest stages of project preparation could be implemented.

Formalised project preparation facility under SADC. The facility would be formalised under the chairmanship of SADC. A secretariat would be established to utilise the CRIDF developed procedures for project screening. A grant application and approval process would need to be established. Once again amendments could be incorporated to address the emerging issues.

Formalised project preparation facility under River Basin Organisations. This is a variant of the previous option with the difference that the project pipelines would be developed via the River Basin Organisations. The project preparation facility would support the development of these basin

focussed pipelines and also provide assistance to the RBOs presiding over the pipeline development process. Options exist within the model, for example, there could be one facility supporting all RBOs or a facility for each RBO. The fact that some of the basins do not have Commissions means that in practice this option would be a hybrid with the previous option.

Fusion with an existing facility. There is potentially an advantage to link to an existing facility with proven governance arrangements. There are numerous such facilities which cover Southern Africa the pros and cons of which would need to be investigated. This could be done in close association with the ICA (Infrastructure Consortium for Africa) Project Preparation Facility Network (PPFN) which has already undertaken a review of such networks including their governance arrangements. One such facility which is operating in the water sector and fulfils a number of the criteria that would be required is the SADC PPDF.

So what is the roadmap?

CRIDF's operational experience together with engagement with key stakeholders has identified a number of emerging principles that are important to the delivery and sustainability of transboundary water projects that build climate resilience for the poor; these need to be incorporated into a future facility. Essentially three options have been identified as possible future trajectories namely: continuing with the present "informal" SADC supporting process; develop a formal facility under the tutelage of SADC or RBOs; and finally fusion with an existing facilities. The reality is that the future model is likely to be a hybrid of these options. Further discussions, ideally in a workshop, are now needed to confirm the emerging principles, assess the options and agree the further analysis required to concretise the way forward.