

Mobilising Finance for Swaziland's Water Security

CRIDF has mobilised more than £63 million for a dam that will secure Swaziland's water security. It has also provided strategic support to the dams financing strategy, climate change risk assessment and transboundary notification.

Background



Swaziland is located entirely in transboundary basins and is heavily reliant upon water for the sugar industry and agriculture, which accounts for about 8.2% of GDP. It is classified as a lower middle income country with 63% of the population, approximately 1.3 million people¹, living in poverty. Climate projections indicate that the region in which Swaziland is located will be hard hit by climate change with rainfall decreasing by 10%, (by 2025) and increased flooding due to cyclonic activity. In late 2015 and the early part of 2016, Swaziland was subject to a prolonged drought which severely affected the ability

to supply potable water and severe rationing was enforced. The Joint Maputo River Basin Water Resources Study (JMRBWS) carried out by Mozambique, South Africa and Swaziland and funded by the European Commission identified Nondvo dam as critical to securing water supply for Swaziland's main cities of Mbabane and Manzini. The study identified a potential dam that could hold up to 93 million metres cubed of water.

On the basis of previous successful cooperation on the Songwe project in Malawi and Tanzania, the African Water Facility (AWF) approached CRIDF, to join an appraisal mission for the Nondvo dam.

Appraisal Mission

The appraisal mission was undertaken in May 2015. Discussions were held with the key government agencies who would be involved in the management and operation of the Nondvo Dam and key downstream infrastructure. Whilst the JMRBWS indicated a dam capacity of 93 million M³ the appraisal mission found that this could be in excess of both the water demand and catchment capacity. The dam capacity will need to be carefully reassessed in light of these findings and also the recent drought. The estimated project cost for a dam with a capacity of 93 million m³ has been estimated to be US\$150,000,000.

The conclusions and recommendations from the AWF/CRIDF appraisal mission were documented in an Aide Memoire issued by the AWF in June 2015 and submitted to the AWF Board for consideration. Based on the Aide Memoire Terms of Reference for a pre-feasibility and feasibility study of the Nondvo Dam project were prepared. CRIDF involvement in the appraisal mission led to key elements relating to climate change risk assessment, capacity development relating to notification under the SADC Shared Watercourses Protocol and financial modelling being included in the feasibility study; these components will be co-funded by CRIDF.

¹ 2014. World Bank

Mobilising Finance

Approval for the AWF/AfDB contribution to the funding of the Feasibility study was received in January 2016. This means that CRIDF has mobilised £1,664,000 for the feasibility study. Subsequently CRIDF has approached other agencies to cover some additional items that will ensure the completion of the full feasibility study and that the project can then move immediately to financial closure thus guaranteeing that the project is implemented in the shortest possible time. This led to the mobilisation of a further £782,000 through IIPSA, a Southern Africa project preparation and implementation funding facility supported by the European Commission. Nondvo was only included in the IIPSA pipeline after CRIDF had secured EIBs commitment to the project in addition to the existing AfDB commitment. Currently the AfDB and EIB have included the Nondvo Dam project in their pipelines with an estimated total cost of £122 million.

CRIDFs support to the full feasibility study

A preliminary assessment by the AfDB has classified the Nondvo dam project as a development which may be very vulnerable to climate change risk (Category 1). CRIDF is applying their Climate Change Risk Assessment (CCRA) protocol, which provides guidance on the activities to be undertaken and deliverables to be produced in order to assess, document and manage climate change risk for projects such as the proposed Nondvo Dam.

All waters in Swaziland are transboundary and jointly managed through a series of bi-lateral and multi-lateral agreements with its fellow riparian's in Mozambique and South Africa. Under the SADC Shared Watercourse Protocol Swaziland will have to notify its partners of the intention to develop the Nondvo Dam. The lack of capacity in Transboundary Notification and Negotiations was noted in the latest Swaziland 5 year development plan and this is an area where support will be provided by CRIDF through training and mentoring to the Ministry of Natural Resources and Energy and more specifically the Department of Water Affairs.

In addition CRIDF will prepare an initial outline financial and economic analysis to provide indicative capital costs for the project and to identify a range of potential revenue generating activities. The cost and revenue information will be incorporated into a financial model that provides indicative returns at the pre-feasibility stage. This will assist with the identification of the recommended development option and ensure financial closure in the shortest possible time.

Strategic Significance

- The appraisal of Nondvo Dam was the result of a strong partnership between CRIDF and the AWF and further enhanced this partnership
- CRIDF involvement in the appraisal mission led to key elements relating to climate change risk assessment, capacity development relating to notification under the SADC Shared Watercourses Protocol and financial modelling being included in the feasibility study
- CRIDF drove the unlocking of £1,664,000 from the AfDB and £782,000 from IIPSA, as well as ensuring the Nondvo Dam project was included in the EIB project pipeline for potential (CapEx) funding in addition to the AfDB pipeline. As a result of these interventions CRIDF has mobilised more than £ 63 million for the Nondvo Dam project.