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SADC, KfW and DBSA sign Agreement on a Regional Fund for Water and Basic Sanitation

The Southern African Development Community (SADC) and KfW Development Bank on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) have agreed on establishing a Regional Fund for Water and Basic Sanitation. The Fund will be financed with an initial grant contribution of EUR 10 million by the Government of the Federal Republic of Germany through KfW. The Fund will be managed by the Development Bank of Southern Africa (DBSA).

The signing of the agreement on December, 18th constitutes a major step in the development cooperation between SADC and Germany. It strengthens and transforms the nature of cooperation between SADC and the Government of Germany. After several years of intensive cooperation on technical issues, the signing of this agreement prepares new ground for financing actual investments in water and sanitation on a regional scale. Furthermore it is expected that the ownership and stewardship of SADC in steering development projects will be significantly increased. DBSA as a leading development bank in the SADC region will contribute with its experience to facilitate and support project implementation through management of the fund.

SADC's Executive Secretary Dr Tomaz Salomão underlined the long standing and strong support of the German Government to SADC Program of Action – and noted and welcomed the flexibility of the new instrument. He observed that SADC Member States are still facing huge investment challenges in water supply and sanitation and that this will go a long way in bridging this investment gap. Although there are a number funding mechanisms available these are not always easily accessible to SADC Member States. This new facility shall contribute to combining national efforts with donor support according to principles agreed with SADC. The new facility compliments an already established Project Preparation Development Facility (PPDF) of SADC for infrastructure that has also been initiated by Germany. The PPDF had been designed to promote and to finance preparatory studies for infrastructure projects in the SADC region. This new Fund, however, will provide financing for actual investment in water and sanitation projects. Thus member states will have the

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Botswana	Madagascar	Mauritius	Seychelles	United Republic of Tanzania	
Democratic République du Congo		Mozambique	South Africa	Zambia	Zimbabwe

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chance to make use of a full set of instruments, ranging from project preparation to project realization.

This facility offers an important window to facilitate increased access to both water and sanitation services in a region where 70% of water resources are shared by two or more states. It will also contribute to the effort of creating a sustainable access to water in the context of climate change and climate variability. The German Ambassador H.E. Mrs. Günther, emphasized the benefits of a harmonized and joint project approach regarding the usage of shared water resources in the region. Harmonized project approaches will achieve more than economies of scale and cost reduction. They will strengthen regional cooperation and contribute to peace and regional integration which are key objectives of SADC. Possible joint projects like water treatment plants and joint flood regulation will be visible and strong symbols of the regional integration. They will support SADC in its ongoing process of regional integration. The establishment of this fund complements the German engagement in the water sector where the SADC Water Division is supported by the GIZ as co-chair of the Water Sector Group in Transboundary Water Management. We know that Water development and management is a strong economic driver that plays a catalytic role in SADC's development. Studies show that countries with improved access to clean water and sanitation services have higher economic growth rates than countries without it. That is why Germany finances the Fund via Germany's KfW, which has provided a total of EUR 4.5 billion in 2011 for development projects around the world. In Africa KfW is managing a water sector portfolio of EUR 2 billion. The active portfolio with SADC amounts to EUR 73.7 million. Financing of the Regional Fund is seen as a kind of seed financing and other donors are invited to support and to cooperate with this new financing scheme.

Chief Operating Officer, DBSA Development Fund, Dawie Mockie who signed on behalf of the Bank said, "It's an honour for the DBSA to be given the responsibility of managing this important project that falls within the priority sectors of the organisation."

"We are committed to ensuring that our partnership is strengthened and that the principles, roles and functions for cooperation as articulated in the Memorandum of Understanding are implemented as per the agreement in managing the Fund".

The DBSA has developed a reputation internationally as an institution with profound experience in regional and development finance aspects. Various international and local entities have approached the DBSA to manage project preparation funds/facilities, either as co-funder or fund manager, with the aim of addressing the infrastructure needs supporting regional integration.

The Bank is managing a number of funds/facilities that fall within the DBSA mandate. These include the Tripartite Trust Account (TTA) on behalf of COMESA, EAC and SADC in addition to the SADC Project Preparation and Development Fund (PPDF).

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Already during the process of Fund preparation, the German Development Cooperation (GIZ) has supported SADC in developing a pipeline of projects to be proposed to the new Fund. Therefore, expectations are high that shortly after the inception period first projects can be selected for financing. Major criteria for project selection will be the regional impact and relevance for poverty reduction.

Examples of possible interventions are cross-border irrigation measures, flood protection measures or water supply systems like the Kunene Water Supply and Sanitation Project between Angola and Namibia which has regional impact.

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