DEVELOPMENT FINANCE

AfDB takes a business-like approach to water

The African Development Bank's leader for water sees scope to increase lending, despite the challenge of higher interest rates.

Investment in Africa's water sector will continue to grow despite rising interest rates – if governments and utilities are prepared to think about efficiency, according to the African Development Bank's Director of Water and Sanitation Development, Osward Chanda. Speaking to GWI at the COP27 conference in Egypt, Chanda said: "We do know that the latest chunk of resources are coming from within, either from sovereign funding or from the collections of these utilities. The big question is, are these resources being used efficiently? I hope that increased interest rates will force utilities and governments to look at their numbers and look at the value for money that they are getting from their resources."

Chanda's remarks reveal his professional background. Before joining the AfDB in 2009, he was responsible for setting up Zambia's water regulator and using its powers to drive the efficiency of his native country's water sector. This experience also means he is well aware of the institutional obstacles water utilities face as they try to finance capital projects. "One of the biggest challenges that we have seen is this annual budgeting cycle. It's totally a killer. It does not work for capital investment." He believes that three- to five-year budgetary cycles for capital projects help utilities focus on the way that international resources can be leveraged to bring in external resources. Autonomy is another major institutional challenge that needs to be addressed.

"If there's one thing that I would like to see in Africa that would make a total difference, it is for the sovereign authorities to make these utilities independent in the mobilisation of resources. At the moment, what has been happening is it's been driven by sovereign entities who provide resources to utilities. But what if it's the other way around? Let the utilities take the initiative, drive the agenda, and put these demands before the government and say: 'Look, for us to get to this place, these are the needs. These are the resources that we need, and this is the framework for which we want to offer it.'"

This emphasis on utilities taking the initiative reflects a new direction for the AfDB. Historically it has lent exclusively to sovereign entities (i.e. central government bodies). "We have now started working with sub-sovereigns [i.e. municipalities and utilities] and the private sector as well. We are seeing an increasing number of public-private partnerships." The bank has an initiative called the African Water Facility to help utilities and other entities which don't have the internal capacity to develop projects on their own.

The AfDB has committed to lending $6.5 billion to the water sector between 2021 and 2025. It has four focus areas: water for sanitation and hygiene (WASH), hydropower generation, irrigation, and climate change adaptation. Chanda believes that governments like to work with the AfDB because they trust the bank. Outside partners come to the bank for its local understanding. "They come to us and say: 'Well, African Development Bank, you've been working in these countries for so long, could you go in with us?'"

The bank is also developing a reputation for innovation within the development finance world. This is reflected in Chanda's interest in supporting decentralised water and wastewater projects. "A lot of boreholes have been drilled on this continent, but I think that era has passed. Just by introducing a solar panel with a storage tank, you completely revolutionise what can happen in that space. So we are saying to sovereign entities: 'Listen, don't think of drilling new boreholes at the moment. Make a difference. Empower your communities by providing them with this energy, and increasing the availability of water. We know that from this increased availability of water new ideas come. People have gardens. People increase the number of animals that they can keep, and so on.'" Chanda also sees the potential for micronetworks to grow out of the solar pump and elevated storage tank combination. He mentions an entrepreneur in Mozambique who had hundreds of black pipes running from three elevated tanks fed by boreholes. Each pipe connection was metered, and users were surcharged for water during periods of peak demand. Chanda believes this kind of thinking will change water.

"This entrepreneurial mindset, the bringing in of private sector thinking into the water business and into the sanitation business, is going to make a huge difference. Currently the approach is more: 'Well, what is the social mood? You know, you can't charge for water what others are charging', but that's not correct.

"We have seen quite different pricing, but that comes with a mindset. Until we run water as a business, until we run sanitation as a business, it will be very difficult to sustain. Look at all the utilities that have managed to sustain water and very good services – Senegal – even South Africa. Rand Water is listed on the Stock Exchange. So you can't run water as a social charity. No! You need to run it as a professional business." ■

A REGULATOR'S EYE

Osward Chanda was appointed director of water and sanitation development at the African Development Bank in December 2021. During his 12 years at the bank prior to that appointment, he built a $4.5 billion portfolio of water investments, including the $150 million Abu-Rawash Wastewater Treatment Project in Egypt and the Kigali Bulk Water Supply Project in Rwanda. Before that, he set up and ran Zambia's water regulator, the National Water Supply and Sanitation Council. It is still today considered the gold standard for water regulation in the continent.

Source: AfDB