Groundwater Finance study in Namibia

Dr. Nambata Namweya (UNAM), NAMIBIA
Namibia experience challenges amongst others shortages of water due to its dry climate.

Hence, groundwater becomes an essential commodity that need to be enhanced to uplift the living standards of people and to increase productivity.

An Assessment Tool of the National Groundwater Financing Ecosystem was developed by Makerere University in 2021.
ECOSYSTEM FOR GROUNDWATER SYSTEM

Review/Stakeholder Analysis

Industry, Banks, MFI, Irrigators, Farmers etc

National Gov’t Regional Gov’ts Local Gov’ts, University, NWSC etc

Regional and International Devt Finance Agencies, NGOs

PRIVATE CAPITAL

Mobilizing

DEVELOPMENT FUNDING

Sources of Finance

Actors

Financing structure

Recommend

Microfinance

Concessional financing

Conditional grants

Ground Water Value Chain

Research, Development, Regulation, O&M etc

Use of Finance

5TH SADC GROUNDWATER CONFERENCE
16 – 18 November 2022, Windhoek, Namibia
THEME - GROUNDWATER: Making the invisible visible for socio-economic development
FINANCING FRAMEWORK

Key Elements of the Framework

- External forces trigger change
- Actors contribute resources
- Funding Source (Public or private)
- Financing structure
- Financing models

Example of Mechanisms

- Regulations on capital markets and local finance, market forces, economic & financial incentives
- Collaboration, community engagement, risk allocation and sharing
- Governments (national and local), DFIs, donors, impact investors, commercial lenders, equity providers
- Grants, equity, short- and long-term loans, bonds, loan rebates, end-user fees
- Pooled finance vehicle, revolving fund, project finance, leasing contract, PPPs, concession
The Groundwater Financing Ecosystem Assessment (GWFA) was conducted from 28 Jun-26 Jul 22

The assessment is structured around a conceptual framework of **FOUR (4) dimensions**

With 34 sub indicators critical to financing ecosystem performance.

A four-point 'ABCD' scale was utilized to score each sub indicator and dimensions

A- scale (highest) & D-scale (weakest) performance
1. Domestic public finance
Finance through the budget and provided by the central and local governments

2. Domestic private finance
Finance provided by businesses and households, including philanthropic finance
3. Foreign public finance

Official Development Assistance as well as grants and concessional financing provided by foreign development agencies

4. Foreign private finance

Including commercial loans, foreign direct investment, portfolio investment, and philanthropic finance
Data was collected using a structured assessment, where the interviewee have to score between A to D.

Email were used to follow up for appointments.

In some cases, telephone was used as well.
RESULTS & PERFORMANCE OF THE ASSESSMENT TOOL

Overall performance of key indicators

- Dimension 1: Domestic public finance
- Dimension 2: Domestic private finance
- Dimension 3: Foreign public finance
- Dimension 4: Foreign private finance

Key indicators:
i1.1, i1.2, i1.3, i1.4, i1.5, i1.6, i1.7, i1.8, i2.1, i2.2, i2.3, i2.4, i2.5, i2.6, i2.7, i2.8, i3.1, i3.2, i3.3, i3.4, i3.5, i4.1, i4.2, i4.3
# RESULTS AND PERFORMANCE

## Domestic Public Finance

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<tr>
<td>1.1 Share of domestic public finance in total groundwater finance</td>
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<td>1.2 Availability of technical assistance for LGS to develop bankable projects</td>
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<td>1.3 Groundwater Medium-Term Financing Framework (MTEF) at the national level.</td>
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<td>1.4 Groundwater financing at the local government level</td>
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<td>1.5 Legal and regulatory frameworks for groundwater supply companies at all levels</td>
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<td>1.5 Regulation of PPP for infrastructure, particularly for sub-national governments</td>
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<td>1.7 Regulation of subnational borrowing for infrastructure investments</td>
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<td>1.8 Financing vehicles for groundwater projects at the local level</td>
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**16 – 18 November 2022, Windhoek, Namibia**

**THEME - GROUNDWATER:** Making the invisible visible for socio-economic development
RESULTS AND PERFORMANCE

Domestic Private Finance

2.1 Share of private sector finance in total groundwater finance via direct investments and PPPs
2.2 Incentive mechanisms for private sector financing of groundwater projects
2.3 Domestic credit to groundwater projects
2.4 Share of private equity investments (IPO and SPO) for groundwater projects in the stock exchange
2.5 Impact investment in groundwater infrastructure (frequency and scope of investment)
2.6 Municipal bond market for subnational government securities
2.7 Regulation of public and mixed public-private institutional investors
2.8 Community financing mechanisms for groundwater projects; O&M
RESULTS AND PERFORMANCE

Foreign Public Finance

3.1 Share of Official Development Grant (ODA) grants in total groundwater finance (grants)
3.2 Share of ODA concessional lending or guarantees in total groundwater finance
3.3 Regulation on the direct access of local governments and other subnationals to ODA
3.4 ODA finance for dedicated national and subnational groundwater financing mechanisms and vehicles
3.5 Direct ODA support to local groundwater infrastructure through local governments or corporate bodies
RESULTS AND PERFORMANCE

Foreign Private Finance

- 4.1 Share and pattern of FDI in private groundwater finance
- 4.2 Philanthropic finance (private donations)
- 4.3 Legal and regulatory frameworks facilitate foreign private investment in groundwater
CONCLUSION: The results revealed that

1. Domestic public finance:
   * There is no clear segregation made for groundwater financing
   * There is no explicit policy framework for groundwater.
   * Finances are all bulked into Water Resources, and Water Supply Security

2. Domestic private finance: *No specific percentage (%) share of private sector finance on GW given.
   * Offers and suggestions made is to provide technical assistance to drought related issues only.
   * There is a lack of domestic credit and loan agreements specific for groundwater in the country
   * Loans are provided for agricultural activities in general to individual farmers.
   * Public Expenditure Investment in groundwater is very small or non-existent.
CONCLUSION: The results revealed that

3. Foreign Public Finance:
* There are no specific grants indicated, specific to groundwater
* Reference was made to offer technical solutions on drought situations and future water needs (dissalination, pipelines etc)
* No regulation on direct access of local governments and sub nationals to ODA finance is in existence

4. Foreign private finance:
* GWF is significantly below the level required for the target growth rate, very irregular or does not exist
* There are no Philanthropic finance or private donations available
* There are no many organisations that were identified that donated groundwater projects
* Legal and regulatory frameworks on foreign private investments are none existence
RECOMMENDATIONS

1. Groundwater finance policy for the country to be developed, in consultation with stakeholders such as, village inhabitants, traditional leaders, politicians and fanciers.

2. Clear and specific groundwater financing modalities need to be established.

3. Financial institutions to be encouraged to establish borrowing packages for groundwater financing.

4. To introduce groundwater incentives for both local investors so that the sector can be developed.

5. A research to be done in villages in the country for the revival and structural improvement of natural traditional groundwater sources that were initiated by local inhabitants.
RECOMMENDATIONS

6. Individuals and community groups be encouraged to develop ground water and be given incentives as an encouragement, in order to increase affordable various forms of water supply to everywhere in the country.

7. As much as the Water Policies and Legislations exists for the Regional and National levels, there are still some over laps and clear guiding principles regarding water supply and management needs to be established.

8. The government of Namibia through the Ministry of International Relations and Cooperation should spearhead the Bilateral agreements for groundwater financing and technical support in the country.

9. Each Local Government (LG), Ministry of Agriculture, Water and Land Reform (MAWLR) to have a budget dedicated to groundwater development and activities.