



# Sio-Malaba-Malakisi (SMM) Basin Investment Framework

## 1. Executive Summary

This document presents a framework for promoting and guiding investments of transboundary significance in the Sio-Malaba-Malakisi basin, shared by Kenya and Uganda. It represents the first step in the process of updating the 2008 SMM Basin Investment and Development Strategy. The second step will be the development of Basin Investment Plan, and this document includes a roadmap to inform that process.

This document has been elaborated in a participatory manner under the leadership of the Kenya and Uganda members of the IGAD Water TAC, under the auspices of the IGAD Secretariat, with financial support from OES US State Department, and with technical support from IUCN and the Secretariat of the Water Convention hosted by UNECE. The need to update the 2008 SMM Basin Investment and Development Strategy was one of the key conclusions of the 1st SMM Stakeholders Workshop that took place in Kisumu, Kenya in May 2017. A first draft of this document was discussed at the 2nd SMM Stakeholders Workshop that took place in Mbale, Uganda in May 2018. The revised draft of the SMM Basin Investment Framework was further discussed at the 3rd SMM stakeholders workshop in Kisumu, Kenya in September 2018 and then adopted by the Joint Working Group in December 2018 in Entebbe, Uganda.

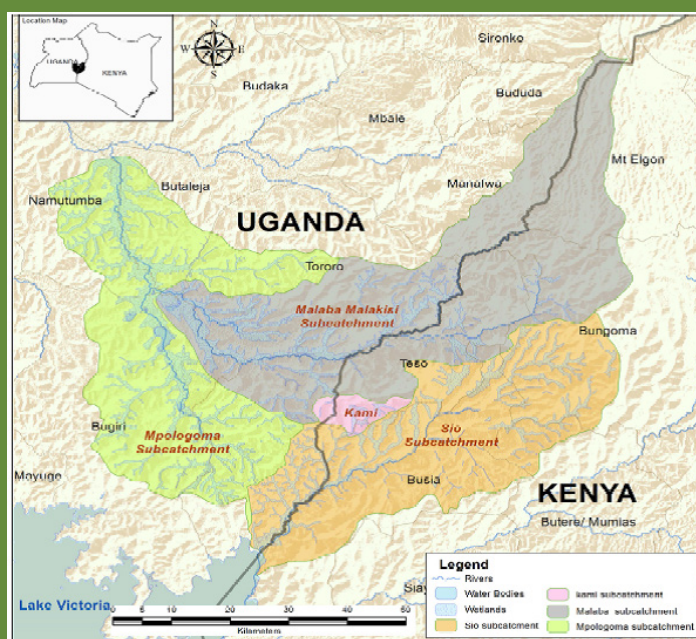
The goal of the SMM Basin Investment Framework is to contribute to achieving sustainable development in the SMM basin through cooperation between Kenya and Uganda and their basin communities on the equitable management, utilization of, and benefit from, the shared SMM basin water resources.

The objectives of the SMM Basin Investment Framework are: (1) to support the identification and preparation of projects with transboundary implications, (2) to support the prioritization and sequencing of projects in the basin, (3) to facilitate the mobilization of funding to implement projects in the basin, and (4) to support the implementation of projects in the basin by enhancing the monitoring and evaluation of their implementation.

The principles of the SMM Basin Investment Framework are: (1) Enhancement of bilateral cooperation under a river basin approach, (2) the sustainable management of basin natural resources under a nexus approach, (3) application of a stakeholder-inclusive, benefit-enhancing approach, (4) subsidiarity, (5) benefit and cost sharing, and (6) the polluter pays principle.

The strategic directions of the SMM Basin Investment Framework are: (1) to promote socio-economic development and enhanced household incomes, (2) to enhance environmental sustainability and reduce environmental risks, and (3) to improve the management of the basin's natural resources.

The SMM Basin Investment Framework includes a methodology to support decision-making regarding the inclusion of project proposals in the SMM Portfolio of Projects and their prioritization. It also includes a description of the implementation arrangements regarding both institutional set-up and financing sources.



Source: 2008 SMM Investment and Development Strategy

## 2. Introduction

The Sio-Malaba-Malakisi (SMM) is a transboundary basin shared between Kenya and Uganda. A basin investment and development strategy was developed for the SMM basin in 2008 and included in the SMM basin monograph<sup>1</sup>. The document presented a broad conceptual framework for the planning and development investment projects organized around eight strategic interventions. It envisioned that the prioritization of projects would take place through a “bottom-up” approach, first at district level and then at national level. The immediate coordination mechanism would be through the SMM Project Management Unit, but that should soon be superseded by a new SMM Institutional Framework. The 2008 basin investment and development strategy has been a useful instrument to guide project identification and preparation in the SMM basin, but was never institutionalized.

In 2017, the governments of Kenya and Uganda concluded that the 2008 basin investment and development strategy needed to be revisited to take into account the new context in the basin. One of the recommendations of the 1st SMM Stakeholders Workshop (organized as part of the OES/IGAD project “Strengthening Water Governance in the IGAD region”) was to launch the update of the SMM basin investment and development strategy, and that the first phase should focus on identifying common principles for investment decision-making, to be applied on both sides of the border. As a response to the workshop’s recommendation, the

<sup>1</sup> WREM International (2008) SMM River Basin Monograph – Draft Final Report. NBI/NELSAP

governments of Kenya and Uganda initiated the development of a basin investment framework under the coordination of the IGAD Secretariat and with technical support from IUCN and UNECE. It is expected that the SMM Basin Investment Framework will be the basis for development of a full-fledged SMM Basin Investment Plan.

This document presents the SMM Basin Investment Framework as adopted by the Joint Working Group in December 2018. Initial ideas for the development of the SMM Basin Investment Framework were discussed by Kenya and Uganda officials representing SMM key stakeholder interests from basin to national levels at a consultative workshop in January 2018. The key prioritization criteria were agreed during the meeting and a draft of the prioritization methodology for investment projects was developed in February 2018, based on inputs from the consultative meeting, and tested in March 2018. The first draft SMM Basin Investment Framework document was discussed at the 2nd SMM Stakeholders Workshop on 7th May 2018 and the revised draft further discussed at the 3rd SMM stakeholders workshop in Kisumu, Kenya workshop in September 2018 and then adopted by the Joint Working Group in December 2018 in Entebbe, Uganda. This document includes the following four sections:

- Goal, objectives, principles, and strategic directions of the SMM Basin Investment Framework;
- Methodology for the inclusion of projects in the SMM Basin Investment Plan and their prioritization;
- Arrangements for the implementation of the SMM Basin Investment Framework; and
- Roadmap for the development of a full-fledged SMM Basin Investment Plan.



Group photo during the first SMM stakeholders consultative workshop, Kisumu, Kenya, May 2017 (photo credit: IUCN)



Group photo during the second SMM stakeholders consultative workshop, Mbale, Uganda, May 2018 (photo credit: IUCN)

### 3. Goal, objectives, principles and strategic directions of the SMM Basin Investment Framework

The **goal** of the SMM Basin Investment Framework is to contribute to achieving sustainable development in the SMM basin through cooperation between Kenya and Uganda and their basin communities on the equitable management, utilization of, and benefit from, the shared SMM basin water resources.

The **objectives** of the SMM Basin Investment Framework (and future SMM Basin Investment Plan) are to:

1. **Support the identification and preparation of projects with transboundary implications.** Both Kenya and Uganda are developing and will continue to develop different types of projects in the basin. Many of those projects will have transboundary implications – in terms of promoting or enabling transboundary cooperation, or in terms of causing positive or negative impacts across the border. It is intended that the SMM Basin Investment Framework (and future Basin Investment Plan) will facilitate the design and selection of projects that maximize benefits from a whole-basin, multi-stakeholder perspective, and based on the basin's potential and minimizes negative transboundary impacts.
2. **Support the prioritization and sequencing of projects in the basin.** Substantial investments are needed to address the important socio-economic development and environmental sustainability challenges that the basin currently faces. Not all those investments can be funded and implemented at the same

time. It is intended that the SMM Basin Investment Framework (and future Basin Investment Plan) will support the prioritization and sequencing of projects of transboundary significance in the basin, so that the long-term benefits for the whole basin are maximized through a water-food-energy-ecosystems nexus cross-sectoral approach and analysis of trade-offs.

3. **Facilitate the mobilization of funding to implement projects in the basin.** The governments of Kenya and Uganda, at national and sub-national levels, and with the support of development partners, have mobilized and will continue to mobilize funding to address the investment needs in the basin. Under current trends those efforts are not sufficient to meet the increasing needs in the basin. It is intended that the SMM Basin Investment Framework (and future Basin Investment Plan) will contribute to attract increased funding for the basin (from public and private sources) by supporting the development of a menu of priority projects that will already have social and political backing by both Kenya and Uganda, including from multiple stakeholders, making it easily available to potential project promoters and funders.
4. **Support the implementation of projects in the basin.** The effective realization of the potential benefits of transboundary cooperation in the SMM depends to a large extent on the correct implementation of the projects included in the future Basin Investment Plan. It is intended that the SMM Basin Investment Framework (and future Basin Investment Plan) will contribute to the correct implementation of projects by enhancing the monitoring and evaluation of their implementation based on robust tools and data.



Group photo during the third SMM stakeholders consultative workshop, Kisumu, Kenya, September 2018 (photo credit: IUCN)

The principles of the SMM Basin Investment Framework (and future Basin Investment Plan) are:

1. **Enhancement of bilateral cooperation under a river basin approach.** Kenya and Uganda have developed catchment management plans and strategies (e.g. Uganda's 2017 Mpologoma Catchment Management Plan, Kenya's 2014-2022 Lake Victoria North Catchment Management Strategy). Those documents recognize that the Sio river and the Lwakhakha-Malaba-Malakisi rivers are shared by the two countries, but as they are national documents they approach their management from a national perspective. By adopting a river basin approach as one of its principles, the SMM Investment Framework (and future SMM Basin Investment Plan) intends that the assessment and evaluation of projects proposed in the basin should take into account the transboundary impacts (positive or negative) in the whole SMM river basin.
2. **Sustainable management of the basin's natural resources under a water-food-energy-ecosystems nexus approach.** Poor resource management practices, demographic growth, socio-economic developments, and climate change are placing the SMM basin resources under increasing pressure. By adopting the sustainable management of the basin's natural resources as one of its principles, the SMM Investment Framework (and future SMM Basin Investment Plan) intends that the design of projects proposed in the basin should address their long-term qualitative and quantitative impacts on the basin's natural resources (including land, water, forests, fisheries and related ecosystems and biodiversity), paying attention to the links between water-food-energy-ecosystems, and that any new projects with a transboundary impact will contribute to the sustainable management of the basin's natural resources.
3. **Stakeholder-inclusive<sup>2</sup>, benefit-enhancing approach.** Both Kenya and Uganda have a strong culture of encouraging public participation in decision-making. Over the last decade both countries have developed structures at different levels (sub-catchment and catchment, community, county/district, national) to facilitate and channel stakeholder participation in decision-making. By adopting a stakeholder-inclusive approach as one of its principles, the SMM Investment Framework (and future SMM Basin Investment Plan) intends that project promoters and public authorities will actively involve basin stakeholders in the identification, assessment, approval, financing, implementation and evaluation of projects, in order to ensure that benefits from projects are equitably enhanced across stakeholder groups at all levels. Current structures and processes already developed by the countries (and any new structures and processes that might be created in the future at transboundary basin level) will be used to ensure sustainable, effective and efficient stakeholder participation in negotiations and decision-making, including through dedicated sustained funding.
4. **Subsidiarity.** Different projects, by their nature, size and location, will have different impacts on different stakeholders. Some projects may only have impacts in one of the two countries, thus not requiring bi-national decision making or involvement. Some projects may have impacts on the two countries but restricted to relatively small local areas, and thus they might be better dealt with bi-national committees at local level: community-to-community, or county-to-district. Finally, some projects may have a transboundary impact that affects a large part of the basin,

<sup>2</sup> Stakeholder groups include, but are not necessarily limited to: biodiversity, fisherfolk, domestic water users, hydropower producers, industrial consumptive water users, industrial non-consumptive water users, irrigation farmers, irrigation service providers, financial service providers, foresters, rain-fed farmers, regulators, sanitation service providers, soils, water resources, water supply service providers, wetland biomass users.

and thus they might require handling by a bi-national authority committee at a regional/catchment level. By adopting subsidiarity as one of its principles, the SMM Investment Framework (and future SMM Basin Investment Plan) intends that the identification, assessment, approval, financing, implementation and evaluation of projects will take place at the lowest possible level.

5. **Benefit and cost sharing.** When designed from a one-country perspective, projects aim to maximize the benefits and minimize the cost for that country. As a consequence, projects that would maximize the net benefits for the basin as a whole are not developed. By adopting benefit and cost sharing as one of its principles, the SMM Basin Investment Framework (and future SMM Basin Investment Plan) intends that project promoters and developers implement projects that maximize net benefits for the basin as whole, while equitably sharing benefits across stakeholder groups.
6. **Polluter pays principle.** By adopting the polluter pays principle, the SMM Basin Investment Framework (and future SMM Investment Plans) intends that project promoters and developers incorporate in the design and implementation of the projects measures to eliminate or minimize the damage to water resources and ecosystems.

The **strategic directions** of the SMM Basin Investment Framework (and future Basin Investment Plan) are:

1. **Promote socio-economic development and enhanced household incomes** – through investments in (i) sustainable agricultural and livestock development, (ii) sustainable fisheries development, (iii) clean energy generation development, (iv) water supply and sanitation, and (v) other resource-based economic activities.
2. **Enhance environmental sustainability and reduce environmental risks** – through investments in (i) integrated watershed management, (ii) conservation of biodiversity and natural resources, and (iii) adaptation to climate change.
3. **Improve the management of the basin's natural resources** – through investments in (i) institutional development, (ii) improved planning of the use and protection of basin resources, and (iii) improved technical capacities to design and implement policies, plans, programs, and projects related to the use and protection of the basin's resources.

## 4. Application of a consistent methodology for the inclusion of projects in the SMM portfolio of projects and their prioritization

The SMM basin decision-making structures will make use to the maximum extent possible of transparent and participatory approaches to build and prioritize the portfolio of SMM projects. The methodology described below will be used to support decision-making, but the SMM basin decision-making structures will retain the ability to incorporate additional, relevant considerations when making decisions.

### 4.1 Screening of project proposals for inclusion in the SMM portfolio of projects

National and local authorities, catchment structures and other stakeholders are encouraged to present project proposals for inclusion in the SMM portfolio of projects, on an ongoing basis.

Before including those projects in the SMM portfolio of projects, those project proposals will be:

- (i) **Screened for a minimum budget threshold.** In order to develop a compact and attractive portfolio of projects where transaction costs do not represent a large share of the project costs, the SMM portfolio of projects aims to include only projects above a certain budget threshold. Currently the budget threshold is set at USD 0.5 million.
- (ii) **Screened for compliance with environmental safeguards.** Project proposals are expected to indicate how the project will comply with relevant environmental safeguards, technically and financially.
- (iii) **Rated through a multi-criteria framework.** All project proposals above the budget threshold will be rated according to a multi-criteria framework that combines four weighted criteria (see below). Only those projects meeting the minimum thresholds and meeting the set criteria will be included in the SMM portfolio of projects.

### Multi-criteria analysis framework

**Criteria.** In order to keep the rating exercise manageable the number of criteria has been limited to four:

- A. **Transboundary significance.** This criterion considers two aspects: (i) the project will contribute to promote cooperation between Kenya and Uganda, and (ii) the project will have significant positive impacts across the border.
- B. **Alignment with policy objectives.** All projects to be considered shall contribute to one of the strategic directions set out in this Basin Investment Framework. This criterion considers three additional aspects: (i) alignment with global policy objectives as expressed in the Sustainable Development Goals<sup>3</sup>, (ii) alignment with national policy objectives as expressed in the vision documents and national development plans of Kenya and Uganda<sup>4</sup>, and (iii) alignment with basin policy objectives (as expressed in the Mpologoma Catchment Management Plan<sup>5</sup>, the Lake Victoria North Catchment Management Strategy, or any future relevant documents)<sup>6</sup>.
- C. **Ease of implementation.** This criterion considers five type of barriers that the project could encounter (i) technological barriers, (ii) physical/location barriers<sup>7</sup>; (iii) social barriers; (iv) cultural barriers; (v) political barriers; and (vi) institutional barriers. Any such barriers should be identified at concept stage and addressed to ensure that appropriate mitigation measures are undertaken as part of project design and implementation.

3 The Sustainable Development Goals (SDGs) cover 17 different topics, and most are relevant to the SMM basin. Descriptions of the SDGs can be found at <https://sustainabledevelopment.un.org/?menu=1300>

4 Uganda's NPD-II for 2015-2020 includes among its five priorities the following: Agriculture (e.g. sustainable land use and soil management), Tourism (e.g. water infrastructure), Infrastructure (e.g. hydropower, water for production/water storage), and Human Capital Development (e.g. water and sanitation). Kenya's national development plan for 2018-2022 (Medium Term Plan 3) is still under development. Kenya's Vision 2030 includes as priority sectors, among others, the following: Agriculture (e.g. river basin agricultural development), Water and Sanitation, and Environment (e.g. water catchment management, solid waste management).

5 The vision of the Mpologoma CMP is "to sustainably use, manage and conserve water and related resources in the Mpologoma catchment for socio-economic growth and improved livelihoods by 2040." It includes the following strategic objectives: (1) to restore and sustainably manage the natural resources of the catchment; (2) to develop agriculture, alternative livelihoods and water resources for socio-economic growth; (3) to meet the institutional, technical, human requirements for integrated management of natural resources.

6 The vision of the Lake Victoria North CMS is "equitably allocate available water resources to all needs" and it includes the following goals (1) achieve sustainable water resources quantity and quality, (2) establish water resources potential and demand for effective management, (3) equitable allocation of water resources for various uses which ensures the reserve, (4) to protect water resources from adverse impacts, (5) to conserve and sustainably manage water catchment areas in collaboration with County Government and other stakeholders, (6) to develop and implement Integrated flood and drought management plans in collaboration with stakeholders, (7) integrate climate change adaptation measures into water resources management, (8) regulate infrastructure development for safety while ensuring downstream water commitments, (9) to attain right to water for all, (10) to enhance livelihood of WRUA members, (11) institutional capacity strengthened for effective and efficient water resources management, (12) provide needed information to support proper planning and management of the water resources, (13) to achieve financial stability to implement the CMS..

7 Such as the difficulties associated to implementing projects in disaster-prone areas.



Group photo during the SMM consultative meeting, Entebbe, Uganda, January 2018

D. **Financial sustainability**<sup>8</sup>. This criterion considers three aspects: (i) efforts have been outlined or made to control investment, maintenance, and operational costs; (ii) potential funding sources of long-term costs (whether user/beneficiary contributions, public subsidies, or charitable and development partners' grants) have been identified; and (iii) funding flows from funding sources have been calculated and will likely cover the long term cost of operational expenses and of relevant maintenance and capital expenses.

Those four criteria do not include "benefits" because the analysis of the benefits criteria was carried out during the 2nd SMM workshop and the proposed 4 clusters of prioritized investment projects were discussed both at the 3rd SMM workshop and 1st SMM Joint Working Group meeting as discussed further in detailed in section 4.2 below.

**Weights.** Each criterion has an associated weight, as follows:

- (a) transboundary significance – 35%
- (b) alignment with policy objectives –20%
- (c) ease of implementation – 20%
- (d) financial sustainability – 25%

<sup>8</sup> Please note that while other sustainability criteria (economic, social and environmental) were identified at the January 2018 Entebbe consultative meeting, they have not be included here to avoid overlaps and double counting, as their substantive content is to a large extent included in the ease of implementation and benefits criteria.

**Assessors.** A multi-stakeholder basin assessment committee<sup>9</sup> will be set up as part of the SMM Basin Institutional Framework to carry out the screening, rating, and benefit assessment of project proposals. Individual assessors will likely produce different ratings for the different alternatives (projects). Consensus ratings will be developed by the *multi-stakeholder basin assessment committee*.

**Rating scale.** A 5-point scale will be used to rate each of the criteria, according to the degree to which each project proposal complies with each criteria.

- 5 - Very strong
- 4 - Strong
- 3 - Neutral
- 2 - Weak
- 1 - Very weak.

**Thresholds.** Each quantitative rating will be weighted according to the weights specified above, and the sum of the weighted ratings will be added up. Project promoters will be invited to modify their project proposal and re-submit it in any of the following cases: (1) the project proposal has a rating of "weak" or "very weak" in two or more criteria, (2) the project proposal has a rating of "weak" in the "transboundary significance" criterion, or (3) the project proposal has a combined rating of less than 3.5 points.

<sup>9</sup> The need for this committee was part of the discussions at the January 2018 Entebbe consultative meeting. It is included in the "implementation arrangements" section of the draft Investment Framework.

## 4.2 Prioritization of projects included in the SMM basin portfolio

The projects included in the SMM basin portfolio were prioritized according to the long-term net benefits that they will deliver to the whole basin and across different categories of stakeholders. The benefits to be considered include<sup>10</sup>:

- Direct economic benefits
- Direct social benefits
- Direct environmental benefits
- Regional economic integration benefits
- Peace and security benefits.

The benefit opportunities assessment took into account the distribution of benefits (and, to the extent possible, costs) across countries as well as across stakeholder groups.

### Benefit opportunity assessment framework

The Benefit Opportunity Assessment Tool (BOAT) was used to facilitate participatory qualitative assessments of the projects included in the SMM Portfolio of Projects. The BOAT was designed to help stakeholders jointly analyse whether a particular water management related project, or set of projects, has a positive, neutral or negative impact on a range of stakeholder groups, and how benefits to stakeholders could be enhanced through joint decision-making on more optimised combinations of activities. This allowed key SMM stakeholders, through scenario development and analysis, to develop a more in-depth and shared understanding of the trade-offs involved in choosing certain projects over others or certain combinations of projects, using both a local and a transboundary cooperation perspective.

This framework was applied in the 2nd SMM Stakeholders' workshop for the analysis of shortlisted projects according to the previously mentioned MCA. It successfully enabled the identification of four (4) preferred bundles of investment projects that were seen to enhance qualitative benefits across stakeholder groups. During the 3rd SMM workshop, these four (4) clusters of prioritized investment projects were further discussed. The resulting stakeholder-validated set of projects can then be used to motivate quantitative and feasibility analyses of options. In the future, this process will be led by the *multi-stakeholder basin assessment committee*.

## 5. Arrangements for the implementation of the SMM Basin Investment Framework

### 5.1 Institutional responsibilities

Following the principle of subsidiarity, the implementation of the SMM Basin Investment Framework will rely to a large extent on current institutional structures created by Kenya and Uganda to manage the basin's resources. This is particularly relevant for tasks related to project identification, initial multi-stakeholder consultation, and evaluation of the implementation of individual projects. Applying the subsidiarity principle requires the review of existing bi-national structures. Applying the benefit and cost sharing principle requires stronger transboundary cooperation arrangements that those currently in place. Applying the polluter pays principle requires the implementation of some financial compensation mechanism (such as water pollution charges, whether are national or transboundary level.

A new bi-national, multi-level body, building on current cooperative arrangements, will need to be created to carry out specific tasks relating to the implementation of this SMM Basin Investment Framework. For the time being, and until a stronger and more stable bi-national body is created, Kenya and Uganda has created the *Joint Working Group on SMM Investment Strategy and Institutional Framework* to carry out those specific tasks.

Regarding the implementation of the SMM Basin Investment Framework (and future Basin Investment Plan), the new bi-national body will be responsible for:

- Approving and updating the SMM Basin Investment Framework (and future Basin Investment Plan).
- Assessing project proposals and formally including those that meet the minimum criteria into the SMM Basin Portfolio – this might require the creation of a technical subsidiary body: the *multi-stakeholder basin assessment committee*.
- Prioritizing projects in the SMM Basin Portfolio according to the Benefit Opportunities Assessment framework.
- Maintaining a database of relevant project proposals (both submitted and approved for inclusion in the SMM Basin Portfolio), as well as of projects under implementation, and projects completed.
- Actively liaising with national authorities, development partners, and other potential funders to explore funding opportunities to implement the basin priority projects.
- Monitoring and evaluating the implementation of the SMM Basin Investment Framework (and future Basin Investment Plan).

### 5.2 Financing

The financing of the institutional structures created by each country remains their own responsibility. The financing of the new bi-national body and any technical subsidiary body will require an agreement between the countries. In the short-term, some budgetary resources from the national treasury will likely be needed. In the long-term a share of future potential water user charges could be earmarked for financing the bi-national structures. Institutional development components of investment projects may also be designed to support the financing of the new bi-national structures – following *strategic direction 3*.

## 6. Roadmap for the development of a full-fledged SMM Basin Investment Plan

The SMM Basin Investment Framework represents a first phase in the development of a full-fledged SMM Basin Investment Plan.

**Step 1.** The development of the SMM Basin Investment Plan will require in the short term the creation and operationalization of the *Joint Working Group on SMM Investment Strategy and Institutional Framework*. This has already been done and the *SMM Joint Working Group* had its inception workshop in December 2018. The Joint Working Group will need to engage consultants for the development of the draft SMM Basin Investment Plan, while acting as the Steering Committee for the development of the investment plan.

<sup>10</sup> This typology of benefits was discussed and endorsed at the *1st SMM Basin Stakeholders Workshop*.



Participants during the second SMM stakeholders consultative meeting, Mbale, Uganda, May 2018

The SMM Basin Investment Plan shall be organized around the strategic directions identified in the SMM Basin Investment Framework:

- **Promote socio-economic development and enhanced household incomes** – through investments in (i) sustainable agricultural and livestock development, (ii) sustainable fisheries development, (iii) clean energy generation development, and (iv) other resource-based economic activities.
- **Enhance environmental sustainability and reduce environmental risks** – through investments in (i) integrated watershed management, (ii) water supply and sanitation, and (iii) adaptation to climate change.
- **Improve the management of the basin's resources** – through investments in (i) institutional development, (ii) improved planning of the use and protection of basin resources, and (iii) improved technical capacities to design and implement policies, plans, programs, and projects related to the use and protection of the basin's resources.

Given the absence of a Basin Vision or Basin Development Plan, the SMM Basin Investment Plan could include a Situational Analysis/Diagnostic chapter. This Situational Analysis/Diagnostic should build on existing documents, such as the catchment management plans/strategies, and complement them as needed.

**Step 2.** The SMM Basin Investment Plan will require the development of a portfolio of projects.

- The portfolio of projects can initially be populated with the projects discussed at the 2nd SMM Workshop.
- An important additional effort will need to be carried out to ensure that all current or planned projects that rely on or have an impact on the SMM basin's resources are identified, and that the necessary documentation is obtained and analyzed.
- This effort should also involve the organization of bilateral meetings and other events with relevant public administrations and other project promoters and funders, in order to raise awareness about the SMM Basin Investment Strategy (Investment Framework and Plan).

**Step 3.** The SMM Basin Investment Plan will ideally include a Resource Mobilization Strategy.

- Background work should be carried out to inform the development of a Resource Mobilization Strategy. This will include gathering information about (i) historic levels of expenditure in capital as well as operation and maintenance expenses, (ii) sources of funding, and (iii) cost of projects included in the SMM Basin Portfolio.
- An analysis should be carried out to estimate the potential financing flows from the different sources of funding under a business-as-usual scenario and a proactive-fundraising scenario. As a result of the analysis, recommendations should be developed on how to realize the proactive-fundraising scenario.

**Step 4.** Once developed by the consultants under the leadership and guidance of the *Joint Working Group on SMM Investment Strategy and Institutional Framework*, the draft Basin Investment Plan will need to be presented to:

- The basin's stakeholders, through existing structures, for consultation.
- The *Joint Working Group on SMM Investment Strategy and Institutional Framework*, for endorsement of a revised draft.
- The relevant Ministers in both countries, for formal approval.

**Step 5.** The portfolio of projects included in the Basin Investment Plan is regularly updated to include new project proposals.

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