

# BACKGROUND STUDY ON FINANCING TRANSBOUNDARY WATER COOPERATION AND BASIN DEVELOPMENT

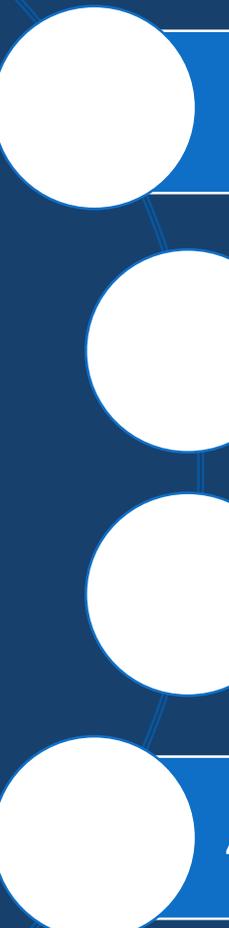
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# Purpose of study

- Explore the different financial needs and opportunities associated with transboundary water management and cooperation as well as basin development.
- Aims to provide a better understanding of the needs and sources available to sustainably fund transboundary water cooperation and basin development.



# Main challenges and needs



1. Perception of water initiatives as risky, particularly in transboundary settings.

2. Financial capacity constraints and lack of prioritization of transboundary water cooperation and development.

3. Most official development assistance goes to WASH projects while private financing goes to large infrastructure, leaving transboundary water cooperation underfunded.

4. Limited consideration of cooperation benefits and general lack of riparian cooperation.

# Funding needs

- Funding is required for
  - Core costs of cooperation (joint bodies and beyond)
    - Costs for meeting
    - Staff costs
    - Fixed costs
  - Project, program and activity costs
    - River basin monitoring
    - Preparation and implementation of strategic plans
    - Development and implementation of infrastructure projects

# Summary of Sources (1/2): Different forms of public funding and financing exist, but direct contributions remains most common

## Public Funding & Financing

Direct Contributions

*Example: most joint bodies*

User Fees & Polluter Fees

*Example: none at transboundary level*

Management & Admin Fees

*Example: MRC*

Public Loans

*Example: OMVS*

Technical assistance

*Example: many joint bodies*

Regional taxes

*Example: CICOS*

Sale of data & services

*Example: MRC*

Project Management Fees

*Example: NBI*

Public Grants

*Example: many joint bodies*

Climate Funds

*Example: OSS, LVBC*

# Summary of Sources (2/2): Private capital in transboundary water cooperation remains limited due to risks & challenges

## Private Funding & Financing

### Private Donations & Grants

*Example: private philanthropy for Great Lakes Commission*

### Private Equity (PPPs)

*Example: Bujagali Hydropower Project in Uganda*

### Private Debt (PPPs)

*Example: Nam Theun 2 Hydropower Project in Laos*

### Innovative Finance

*Example: Blue Peace Bonds for OMVS and OMVG*

### Blended Finance

*Example: Many infrastructure projects globally*

## Key takeaway 1/5: Need for legal and institutional framework

Transboundary water cooperation has myriad of benefits; realizing them requires strong legal and institutional framework

Transboundary water resources management and cooperation are crucial to preventing and mitigating conflict over shared water resources.

Funding needs vary over the different stages of cooperation (e.g., data collection, launch of cooperation, master plan implementation, etc.).

International basin treaties and joint bodies provide the legal and institutional framework for such transboundary water resources management and cooperation.

River basin management and investment plans play key role in encouraging transboundary water cooperation and advance basin development.

## Key take away (2/5): Role of member state contributions

Domestic budgetary resources is and should be primary financial source to support joint bodies

Member states are often main contributor to joint bodies' budgets, especially for core costs.

Joint bodies often struggle to get funding as they compete with many national priorities, challenging their ability to realize full potential benefits.

Joint bodies should focus more on communicating benefit of their work to member states and relevant actors within them.

Cost sharing between riparian states requires a careful balancing between the principle of sovereign equality and their potentially unequal economic capacities.

Riparian states should define and express their expectations with regards to RBOs' work and review and monitor their activities regularly.

## Key take away (3/5): Sources of public funding & financing

### There are opportunities for financial sources diversification for riparian states and joint bodies

While donors often play a key role in supporting transboundary initiatives, strong local buy-in and ownership is essential for longevity and sustainability.

Alternatives and/or complements to member state contributions exist but none is a silver bullet, as all funding and financing mechanisms come with certain constraints.

Different funding and financing sources are required at different stages of river basin management and development.

Public funding and financing sources include regional taxes, user/polluter fees, sale of data/services, loans, grants, climate funds, technical assistance.

## Key take away (4/5): Sources of private funding & financing

Private financing can be used for water infrastructure development but remains a small share of overall basin funding

There are very few examples of private funding without repayment expectation being used for transboundary water resources management.

Private financing also has a role to play but is typically limited to revenue generating activities or projects.

Public-private partnerships have been instrumental in leveraging private capital for transboundary water infrastructure projects.

Transboundary infrastructure projects are often endowed with substantial risks given complexity of a multi-state and multi-actor environment.

Blended finance strategically combines public and private finance and has been used to develop water infrastructure projects across the globe.

## Key take away (5/5): Future opportunities & needs

Future developments may provide new opportunities, but capacity-building is still needed.

Innovative financial instruments are being developed and tested, which could potentially lead to new solutions to finance transboundary water cooperation and development. Unless these instruments will not have a repayment obligation, RBOs will still require ongoing funding.

There is a continued need for further capacity building and exchange of experience and information about funding and financing opportunities, challenges, and lessons learned. The platform of the Water Convention (serviced by UNECE), among others, provides an opportunity for such capacity building and exchange.

## Next steps-2021

This study will be turned into a full publication, to be available for the 9th session of the Meeting of the Parties (MOP 9) of the Water Convention in September 2021.

For this, your input (comments, case studies, etc.) would be highly appreciated, please share them with secretariat colleagues until **31 January 2021**.

The study can be found in English, French, Spanish and Russian at:  
<https://www.unece.org/index.php?id=55555>