

Financing transboundary water cooperation and basin development : Challenges, opportunities and case studies from Africa

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National workshop related to the Convention on the Protection and Use of Transboundary Watercourses and International Lakes: Nigeria's accession process

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Why financing transboundary water cooperation and basin development in Africa is needed?

- Of the 48 countries in sub-Saharan Africa, **42** share **transboundary rivers, lakes and aquifers** from which **most freshwater resources come** / Nigeria alone shares with its neighbors 6 transboundary rivers and 4 aquifers
- Water **scarcity**, chronic **droughts**, perennial **flooding**, rapid **population growth** and **urbanisation** trend put **water resources and environment at risk, cooperation is needed!**
- While a number of RBOs and agreements are in place in the region, **SDG Indicator 6.5.2 not yet on track** → in the **ECOWAS/UEMOA region**: 7 out of 14 countries reported **very high levels (>90%) of cooperation for surface waters**.
- Key components for progress: **financing**, capacity development, governance, data and information (cf. SDG6 Global acceleration framework)

Work on facilitating financing of transboundary water cooperation and adaptation to climate change under the Water Convention (1)

- **Draw global attention** to the importance of financing transboundary water cooperation and **raise awareness** on the importance of enhancing the financial sustainability of transboundary water management institutions and implementation programmes;
- **Facilitate knowledge sharing and peer learning** among national authorities, joint bodies and development partners
- Support national authorities and joint bodies in **shaping their strategies and plans for mobilizing financial resources** for transboundary water cooperation processes and adaptation to climate change

→ Countries can benefit from these activities via its platform and Parties also from tailored support based on national and regional needs.



Work under the Water Convention (2): Global workshops to exchange about financing challenges and opportunities

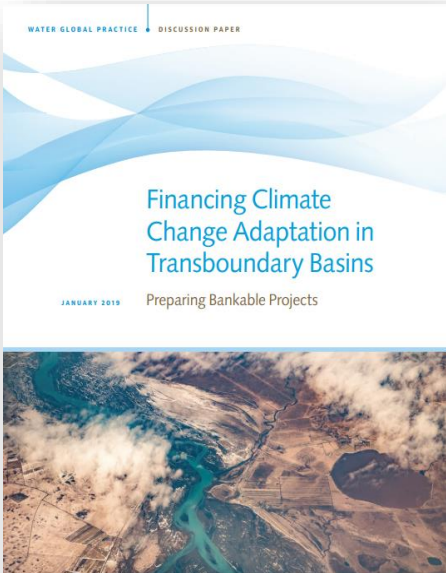
- **2017:** Training to enhance the capacity of 40 transboundary basins representatives and equip them with **knowledge and skills required to develop bankable transboundary water and climate change adaptation projects**
- **2018:** High-level workshop on **financing transboundary basins development:** → **10 Ministers, 30 countries, 7 River Basin Organizations** to identify the key issues around financing.
- **2020:** Global workshop on financing transboundary water cooperation and basin development → **200 participants** discussing the **funding needs and sources** for transboundary water cooperation and basin development through case studies from all over the world.



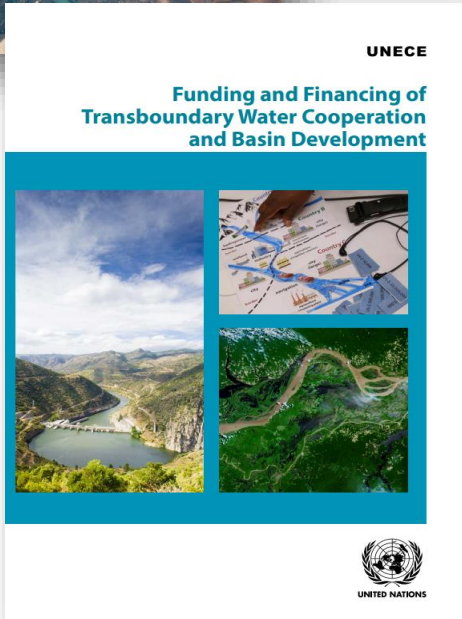
Partners for this work:



Work under the Water Convention (3): Guidance documents to support countries and RBOs



- Developed in **2018** by the World bank, in cooperation with UNECE, INBO and AfDB
- Guide to support transboundary basins in preparing bankable project proposals for climate change adaptation
- Highlights **challenges and opportunities** faced by countries
- Outlines **how to access grant and concessional financing for adaptation** in transboundary basins
- Available in **ENG, FR, SPA, RU**



- Developed by Water Convention secretariat in **2021** in partnership with World Bank, AFDB, ADB, EIB, IADB, GEF, Switzerland, Senegal, Netherlands, basin organizations
- Describes **financial needs** for the establishment and operation of joint bodies and for the elaboration and implementation of basin management and development projects.
- Provides a **comprehensive overview of the sources of funding and financing available** to support transboundary water cooperation and activities related to the management and development of shared basins.
- Available in **ENG, FR** and soon in SPA and RU

What are the current challenges in mobilizing financial resources for transboundary water cooperation and basin development?

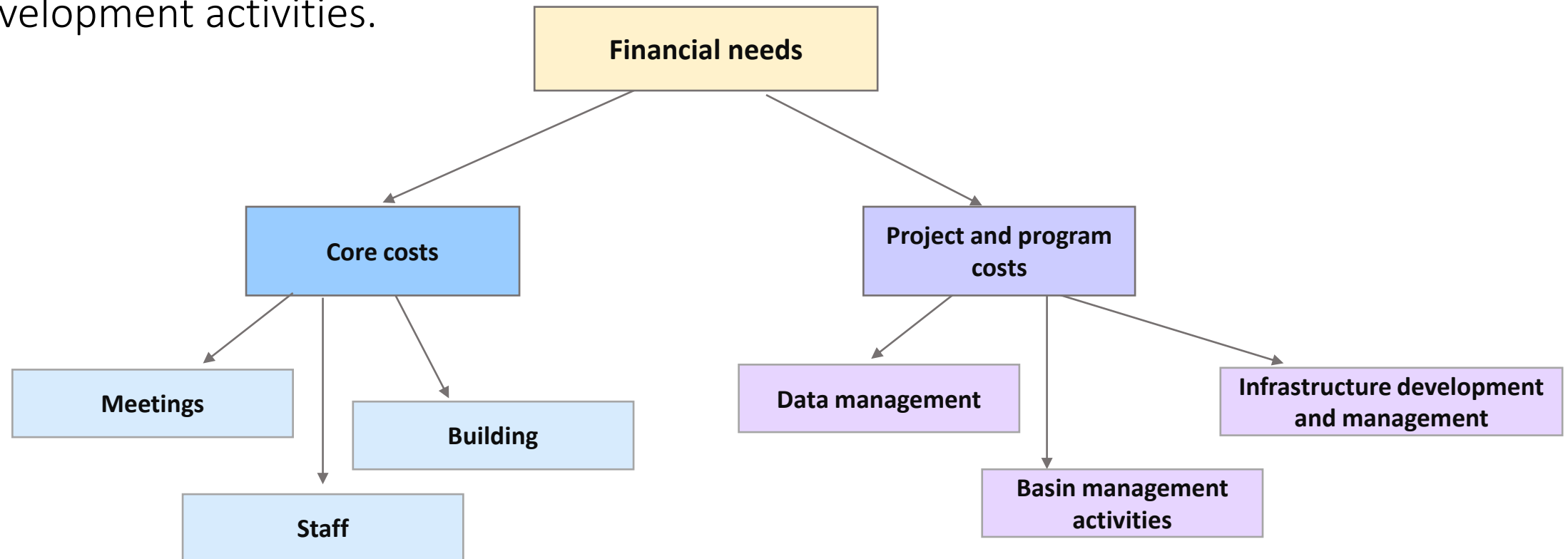
- **Risk perception** associated with water cooperation and development activities and projects in transboundary setting ;
- **Financial capacity constraints** faced by many countries (how to allocate scarce public funds?) ;
- **Limited consideration of the benefits of cooperation** and a general **lack of cooperation** between riparian states;
- **International private financing** goes to **large infrastructure projects** developed and implemented at the national level;
- With regards to **climate finance** specifically :
 - Still little financing for transboundary projects as many funds do not accept transboundary projects;
 - Difficulty in meeting funds' procedures and standards to access finance ;
 - Insufficient eligibility and legal status of basin organizations.

What are the main financial needs related with transboundary water cooperation and basin development?

Financial needs occur at **various stages** and for **various reasons** during the cooperation process:

→ **Core costs:** related with the existence of a joint body and its long-term maintenance ;

→ **Project and program costs:** related with the design and implementation of basin management and development activities.



What types of financial resources can help countries and RBOs to meet these needs?

Important to make the distinctions between:

- ***Financing***: Funds made available to pay for upfront capital costs that require repayment in the future (interest payments or dividends).
 - ***Funding***: Funds made available to pay for upfront capital or ongoing operating costs without a repayment obligation.
- **Financing and funding options** exist both at **domestic** and **international** levels and can be **public** or **private**.



Overview of public funding and financing sources:

Domestic and international public source of funding and financing:	What is it?	Examples in Africa
Direct member states contributions	<ul style="list-style-type: none"> - Come from national budgets and are allocated through national budgeting processes : memberships contributions and/or in-kind contributions - Contributions to joint bodies can be shared in different ways : equal cost sharing or key-based cost sharing 	<ul style="list-style-type: none"> - OMVS - LCBC - OMVG - NBA
External contributions obtained through development cooperation and international funding mechanisms	<ul style="list-style-type: none"> - Loans/grants - Technical assistance - Green/Climate Funds 	<ul style="list-style-type: none"> - OMVS - Niger River Basin - LVBC
Fees and services	<ul style="list-style-type: none"> - User or polluter fees - Management and administration/project fees - Sale of data/services 	CICOS
Others: <ul style="list-style-type: none"> - Regional taxes - Contributions from regional organizations 	Use of regionally levied taxes for funding basin cooperation and development activities	CICOS

Case study from Africa (1)

Ensuring the financial stability of OMVS (Senegal River Basin Organization)

- **OMVS budget** consists of :
 - Budget for the High Commission/Secretariat (core costs)
 - Budget for project implementation (program costs)
- Costs are **shared among member countries**:
 - **Equally** for the OMVS' regular budget
 - **Key-based** for large infrastructure projects the OMVS develops, implements and manages; the key reflects each country's benefits from joint projects in irrigation/agriculture, hydropower and navigation

Overview of private funding and financing sources:

Private financial sources	What is it?	Example in Africa
Private funding	Private philanthropiques and donations	None
Private financing	Loans or bonds that need to be repaid over times and generate interest for the lender (debt) Investments which generates dividends for the investor from the project's earnings (equity)	Lesotho Botswana Water Transfer Scheme
Innovative financing	Impact investing e.g. social impact bonds	Gambia basin Cubango-Okavango basin
Blended finance (often through PPPs)	Use of development finance for the mobilization of additional private finance	Bujagali Dam (Uganda)

Case study from Africa (3)

Blue peace bonds in the Gambia Basin

On-going initiative, led by SDC and UNCDF together with OMVG and its member states, aimed at **blending public and private financial instruments to support transboundary water cooperation and development** in the Gambia river basin.

How?

- Through the development of **multisectoral and transboundary master plan** composed of investment plans that cover infrastructure needs as well as data, monitoring and other soft assets
- Use of **Blue Peace Bonds** blending public and private instruments into a single, lower risk instrument → public funds are used to attract additional public and private financing in order to meet the project's overall financing needs.

Why innovative?

- RBOs and local governments will access to international capital markets and be able to issue the Blue peace bonds (instead of each riparian country governments)

Conclusions:

- Creating an **enabling environment** to mobilize resources is crucial and requires **legal and institutional frameworks** and **strong governance**
- **Domestic budgetary resources/member state contributions** are and should be the **primary funding source**; can be complemented by other public sources
- **Private funding and financing** can be **leveraged** to explore additional opportunities especially for infrastructure development costs
- **Innovative financial instruments** are currently being developed and can potentially offer **new opportunities**
- To access these different sources, **further capacity development and exchange of experiences**, especially across regions, is **required**
- There is potential to further mobilize **climate finance for transboundary basins** and RBOs must find what are their most suitable role to support the process

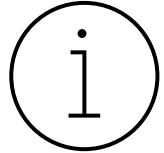


Ways forward..

Foreseen activities under the Water Convention Programme of Work **2022-2024** :

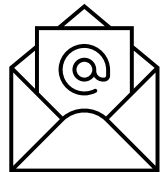
- **Regional workshops** on financing transboundary water cooperation and basin development and on preparing bankable project proposals for climate change adaptation in transboundary basins as well as one global workshop in December 2023 in Geneva and online
- **Tailored support** to basins to develop bankable project proposals for climate change adaptation and to facilitate financing in transboundary basins (priority given to Parties)

Thanks for your attention and thank you to our partners!



More information :

<https://unece.org/environment-policy/water/areas-work-convention/financing-transboundary-water-cooperation>



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