

Promoting Water Cooperation Financing

Information brief



Challenges

Promoting water cooperation is a **long-term and resource-intensive process**. Funds need to be mobilized for long-term processes such as establishing collaborative structures and institutions, and building capacity, trust and consensus (Jägerskog 2012). Also joint water resources management programmes and water infrastructure development require sustainable financing.

At the same time, transboundary cooperation often **reduces costs**. Joint measures to adapt to climate change for example tend to be more cost-efficient than unilateral ones (UNECE, 2009).

Funds only devoted to the local, national or transboundary level will not meet sustainable development or relieve water stress. It takes **action at all three levels simultaneously** to achieve sustainable institutional changes (GEF 2012).

Quick facts

Since 1995 the GEF has invested over US\$ 1.3 billion in 234 transboundary projects and programmes, catalyzing US\$ 7 billion of co-financing. (GEF 2012)

Financing water cooperation

Cooperation **over transboundary waters** requires financing for:

- Development and implementation of a legal framework
- Capacity-building
- Establishment and tailoring of institutional arrangements.
- Management costs of transboundary institutional arrangements.
- Cost of basin management: joint data collection, planning and monitoring.
- Long-term investment in water-related infrastructure for shared river management

(Sources: ODI 2002, UN-Water 2008)

Promoting transboundary water cooperation is often **underfinanced** and the mechanisms addressing it are scarce. Many national governments and donors are hesitant to finance processes without clear outcomes and time-lines (Jägerskog 2012). However, **preventing conflicts** and avoiding environmental degradation is less expensive than reacting afterwards *(Source: GEF 2012)*.



TOOLS for financing transboundary water cooperation

A **mixture of financing mechanisms** is typically used for transboundary water management. Financing mechanisms for transboundary water cooperation require strong political support, good governance and appropriate institutional structures. (UN-Water 2008)

Financing mechanisms for transboundary water cooperation include:

- **Inter-riparian financing by public means;** this requires countries to fund activities beyond their territories (e.g. dredging work on the Westerschelde undertaken by the Netherlands was largely funded by the Belgian Government).
- **Public-private partnerships** e.g. in the Senegal River Basin
- **Revolving funds** to engage private investors in projects with positive transboundary externalities.
- **Trust funds** for programme implementation, administered by a transboundary or international institution (e.g. Nile Basin Trust managed by the World Bank)

(Sources: SIWI/EUWI 2011, ODI2002)

SOURCES for financing transboundary water cooperation

Sources of financial resources for transboundary water cooperation include:

- National budgets
- Bilateral instruments
- International organizations and agencies
- International financing institutions
- Private sources
- International capital markets
- International taxes, fees and charges
- Market creation
- Global and regional partnerships

Facilitating transboundary project preparation and cross-border financing entails in general **higher project preparation costs** – typically 5% of total financing– than for national projects (EUWI/SIWI 2011)

(Source: Jägerskog 2007)

Investment needs often exceed the resources available to riparian countries. **International organizations, international financial institutions** or specialized development funds can play an important role in providing resources (e.g. process financing) to build and strengthen the enabling environments, in which financial co-operation over transboundary management becomes a possibility (Source: ODI 2001). Existence of a **river basin organization** increases a basin's chances of receiving donor support (Source: UNECE 2009).

Examples of external funding and facilitation include:

- World Bank in the Indus Treaty negotiations and the Nile Basin Initiative.
- International Development Association (World Bank Fund) in the Senegal River Basin
- Global Environment Facility in the Guaraní basin.
- UNECE and OSCE support under the "Environment and Security" Initiative in the process of development of the Dniester Basin Treaty



The **Global Environment Facility (GEF)** unites 182 countries in partnership with international institutions, civil society organizations (CSOs), and the private sector. The GEF is the largest public funder of projects to improve the global environment. It is an independently operating financial organization which provides grants for projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants.

The **GEF International Waters Focal Area** was established to help countries collectively manage their transboundary surface water basins, groundwater basins, and coastal and marine systems in order to share the benefits from them. (GEF website)

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