



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC



MINISTRY OF AGRICULTURE
OF THE REPUBLIC
OF KAZAKHSTAN



Ministry of Infrastructure
and Water Management

High-Level Workshop: Financing Transboundary Basin Development

9th October 2018, Astana, Kazakhstan

Co-Chairs' Summary

High level representatives from around 30 countries participated in the High-Level Workshop on Financing Transboundary Basin Development that took place in Astana on 9 October 2018. The High Level Workshop was organised under the leadership of Kazakhstan, the Netherlands and Switzerland; in cooperation with the United Economic Commission for Europe (UNECE) – Secretariat of the Water Convention, GEF IW:LEARN, World Bank, Asian Development Bank, and European Investment Bank.

This Co-Chairs' Summary reflects our conclusions from the rich discussions at the Workshop. Its main messages were delivered at the High-Level Segment of the 8th Meeting of the Parties of the Water Convention. We hope that it will also inspire and guide future action on financing transboundary water cooperation and basin development by all relevant actors.

KEY MESSAGES

- 1. Transboundary basin cooperation and development is of utmost importance for sustainable development, economic growth, peace and ecosystem preservation.** Transboundary basins provide water to about two billion people worldwide. They also sustain irrigation for agriculture and contribute to food security, enable industries to function, generate electricity and support ecosystems. Cooperation is vital to support the sustainable development of transboundary basins.
- 2. Inability to access needed financing in many basins implies that the potential benefits of transboundary basin cooperation and development are not being fully realised.** Different types of financing are needed for different stages of the cooperation and development process. Financial resources are required to collect and process the data and information required to manage the natural resources in the basin; to launch and sustain the process of transboundary cooperation and its institutional arrangements (such as developing agreements, setting up joint bodies, developing joint investment plans, or promoting shared benefits based on basin plans); and to implement investments and other basin management and development measures.
- 3. Effective agreements between the riparian countries and strong joint institutions to implement them are key to attracting investment funding from public and private sources and can significantly improve bankability of projects.** Once those enabling factors are in place, understanding and managing the special risks and complexities of transboundary river basin project can help to prepare bankable project proposals that can attract public and private financing partners. Project preparation facilities and other mechanism can support the initial phases of project development in transboundary basins. Strong and effective river basin

organizations can play an important role in project development and implementation and ideally also receive funding directly.

4. **Basin investment plans and financing strategies can help to agree on priority investments across the basin, to articulate a more strategic approach and mobilise sustainable financing for transboundary cooperation and development.** There are different potential sources of funding often involving multiple funding mechanisms. They present different profiles in terms of funding potential, capacity demands, and financial sustainability. Many countries face difficulties in financing transboundary basin cooperation and development because the benefits are not always known or are intangible (such as the peace dividend), the transboundary nature complicates financing by all sources of finance (public, private, and blended), and many funding sources (both national and international) are primarily targeted to national and local projects.
5. **Legal frameworks such as the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Water Convention) serviced by UNECE, help create an enabling environment.** The Water Convention can increase the sustainability of cooperation projects by requiring and supporting basin-level agreements and institutions that reduce investment risks, owing to the legally binding long-term commitments made by Parties and to the continuous support for cooperation offered by the Convention's framework. Basin-level cooperation agreements enable riparian countries to reduce risks, share risks, leverage additional resources, and locate measures and investments where they have the optimum effect and can best achieve their aims.

EXPLORING DIFFERENT FINANCING SOURCES AND BRINGING THEM TOGETHER

6. **The 3Ts of water financing also apply to transboundary basin cooperation and development.** Ultimately three groups of stakeholders can pay for it: water users (through **tariffs** and other contributions), domestic tax-payers (through **tax-funded subsidies** channelled via domestic budgetary processes) and domestic and international donors (through **transfers** for broad development cooperation or specific topics such as climate adaptation).
7. **Over time, users of transboundary waters and other beneficiaries of transboundary basin development will need to fund an increasing share of the costs.** Private actors in the agriculture, energy, and drinking water and sanitation sectors directly benefit from transboundary basin development. Some basins have implemented mechanisms to mobilise financial resources from water users and beneficiaries such as payments for environmental services, which are relevant also in a transboundary context.
8. **While public sector financing has been the main source of funding for transboundary basin development, it is increasingly complemented by private sector financing through blended approaches.** The transboundary context also complicates these blended financing models. The private sector still considers transboundary investments as high risk, unless there is strong agreement (e.g. treaty or other regional arrangement between countries) on the joint action and that guarantees are required. Specific guarantees were traditionally only designed for the national context; they are now also offered by some international financial institutions for the international/transboundary context and need to be tested.
9. **More domestic budgetary resources need and can be mobilised to fund transboundary basin cooperation and development.** Strong commitments by countries expressed through domestic financing of transboundary cooperation also facilitates access to international funds. This requires stronger engagement with national and local development planning and budgeting processes. In order to make the case for domestic budgetary resources to be

allocated to transboundary cooperation and development, it would help to identify, assess and communicate the wide range of benefits of transboundary water cooperation (economic, social, environmental, regional development, peace and security), and to show how basin plans, programmes and projects contribute to achieve the objectives of national and local development programmes.

- 10. The international community's key role in financing transboundary basin cooperation and development is evolving, and there is an opportunity to bring additional resources from climate finance.** Development partners have over the years invested significant amounts in supporting transboundary water cooperation. They increasingly need to show how they contribute to the Sustainable Development Goals, what is the impact on the ground of their support, and how they are working with others under the leadership of governments. Climate finance can complement domestic and development cooperation funding, but it is not a panacea. While the availability of climate financing is growing globally, access to funds and effective implementation poses particular challenges for transboundary basins. The numerous financing mechanisms available to address climate change have distinct procedures and project cycles, and not all are designed to support regional or transboundary projects.

MATCHING FINANCING SOURCES TO FINANCING NEEDS

- 11. In the longer term, domestic budgetary resources should pay for core functions of transboundary basin cooperation processes and institutions.** Effective and efficient transboundary basin cooperation processes are key to promote investments in basin development and support the sustainable management of the basin's natural resources. But many basin organizations, even in developed countries, struggle to ensure long-term sustainability of their work. Funding needs and funding sources depend on the scope, mandate, objectives and ambition of the transboundary cooperation process and institutional arrangements. Joint cooperation mechanisms look after public good benefits (such as those derived from flood forecasting), which makes more difficult to develop financial models that would sustain them. Domestic budgetary resources are key in supporting the cooperation processes, also considering the relatively limited budgetary needs.
- 12. Financing infrastructure in transboundary basins is facilitated by multi-sectoral basin investment plans with agreed benefit-sharing and financing arrangements- ideally even shared investments and operation.** In many cases basin development requires investments in water-related infrastructure – of different types and sizes, including nature-based infrastructure. But it also requires sustainable funding for their operation and maintenance, as well as for governance functions related to infrastructure (such infrastructure planning and infrastructure regulation).

MOVING FORWARD

- 13. Moving to a more sustainable financing of transboundary basin cooperation and development requires strong leadership from basin countries.** We need strong institutions who can implement and strong and stable legal agreements between countries, and we need to make the case for sufficient allocation of domestic budgetary resources to finance their core functions. We will leverage those institutional and legal frameworks to develop joint transboundary basin investment plans that promote shared benefits, as well their corresponding financing strategies. We will engage local populations, different public sector agencies, and private sector actors in their development and implementation.

- 14. Technical and financial partners should step up their support.** We welcome the significant past and ongoing efforts by development banks, UN agencies, and other technical and financial partners to support us. We value both the financial support and the technical support and will require more of both, including further exchanges of good practices that can make possible to identify new, unknown funding sources, analyse success factors, draw lessons learned and share sustainable financing models. We would like to see more coordinated efforts among technical and financial partners – of which of this workshop is a fine example.
- 15. The sustainable financing of basin cooperation and development needs to have a higher place in international processes related to water, climate, and development.** We welcome the inclusion of a programme area dedicated to this topic in the new programme of work of the Water Convention. We recommend that countries in the governing bodies of the international climate funds explore how climate funding can help support the implementation of country-led joint transboundary basin investment plans. We invite our colleagues in the diplomatic community to join us in our efforts to identify and take advantage of further opportunities to fund transboundary cooperation and development in the framework of regional economic integration agreements.
- 16. This workshop represented a first step of a wider and deeper dialogue on the financial sustainability of transboundary basin cooperation and development.** The workshop showed that there is a shared perception regarding the need to continue such a dialogue both at technical and political levels. We need to continue sharing of experiences, analysing good practices and learning from failures. We would welcome the organisation of another high-level workshop to review progress made on this crucial issue.