ANBO GA – Financing Session
Tunis, TUNISIA, 2-5 July 2019

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RAOB ANBO
Réseau Africain des Organismes de Bassin
African Network of Basin Organizations

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INTERNATIONAL NETWORK OF BASIN ORGANIZATIONS

RESEAU INTERNATIONAL DES ORGANISMES DE BASSIN

ANBO GENERAL ASSEMBLY
FINANCING SESSION

- **« The financial situation of most African Basin Organisations is characterised by irregularity, insufficiency and dependency »**

(presentation by Malinne Blomberg, African Water Facility, OECD, Paris March 2010)

Topics:

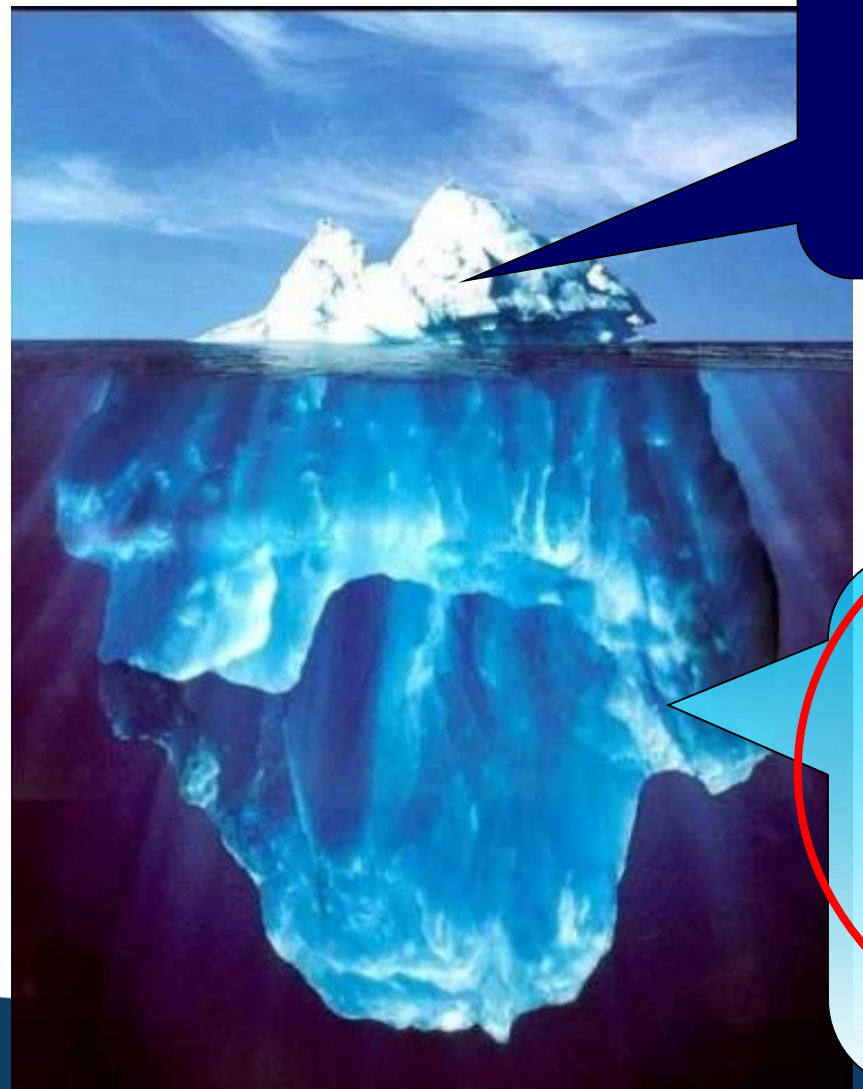
- **Sources of finance**
- **« burden sharing » & allocation of costs**
- **Contrasting cases – OMVS & CICOS**
- **Finance for functions**

Funding needs

Variations depending on mandates, but usually:

1. **Operational costs:** TBO staff, buildings, transportation costs, office supply, studies, training, communication
2. **Missions**: monitoring water resources, managing data bases, basin management planning, supervising implementation
3. **Implementation of actions planned**
4. **Infrastructures and equipments:** design, building, operation, maintenance, refurbishment.

Funding: a dilema of communication… & delivery!



The cost of a TBO

Recurring operation costs, annual Member States contributions...

Benefits?

Revenues & added valued generated by the TBO activity, Investments, Good governance, Contribution to overall DEVELOPMENT!

Sources of funds

- **Internal sources:** sales of goods & services, permits, abstraction fees, pollution taxes
- **Subsidies from budgets of Member States:** Plus grants and levies from regional bodies
- **Transfers from external sources:** donor agencies, specialised international funds & facilities, NGOs , corporate CSR, etc.
- **Repayable funding sources** supported by cash flows arising from the above, - loans, bond issues, equity
- **N.b. This is basically the OECD's "3Ts". – tariffs, taxes & transfers**

Contrasting cases of the two main models: OMVS & CICOS

- **<u>The OMVS model based on Member States contributions & allocation key:</u>**

➢ Operational budget funded equally by 4 Member States

➢ Infrastructure (e.g. Hydropower produced by the Manantali Dam) financing based on share of total benefits

➢ Contributions are not based on the equality principle, but rather on measurable criteria (here, needs for a given use and financing capacity; but could also be: share of the river basin surface area, withdrawals, population, economic activity, involvement in the management of the basin, solidarity between Member States, etc.

Contrasting cases of the two main models: OMVS & CICOS

- **The OMVS model based on Member States contributions & allocation key:**

Advangtages: Allocating benefits from the water uses instead of allocating water volumes.

Riparian States	Funding efforts	Benefits
Mali	35,3%	52% Hydropower prod. Access to sea through navigation
Mauritania	22,6%	15% Hydropower prod. 33% irrigable land
Senegal	42,1%	33% Hydropower prod. 64% irrigable land

Contrasting cases of the two main models: OMVS & CICOS

- **The OMVS model based on Member States contributions & allocation key:**

Disadvangtages:

- WARNING: heavily rely on the consent to pay for a service.
- TBO not delivering= reluctancy of Member States to pay.
- High vulnerability and harsh consequences:
  - high profile functions remaining unfilled,
  - staff not getting paid, etc.

Contrasting cases of the two main models: OMVS & CICOS

- **<u>The CICOS financing model:</u>**

Specialized institution of the CEMAC (Economic and Monetary Community of Central Africa) and, as such:

- Recurrent budget funded from Regional Community Integration Tax through CIMAC (1% level on customs duty revenues)
- Financed by the overall budget of the regional economic community, with a statute similar to the Conference of Heads of State, Court of Justice, etc.)

<u>Advangtages:</u> Avoid the dependency to the payments by the Ministries of Finance of all the riparian States: financial contributions go directly from the ECCAS to the CICOS (exceptions: DRC and Angola)

<u>Disadvangtages:</u> Harder to express political messages via Member States contributions, less incentives for actions, risks of having « free riders »

Financing mechanisms

1. Financing by regional economic communities
2. Financing through payment for supervizing functions (ex. construction projects oversight)
3. Financing through payment for technical & institutional assistance of projects &programs
4. Application of the polluter-pays/consumer-pays principle
5. Financing through payment for services

1. Financing by regional economic communities

- Interesting mechanism, with high potential in budget mobilization:
  - Tax collection capacity
  - Good acceptability
  - Possibility to implement at short & mid-term
- Strong political constraints
  - Cause for concern: opening this funding channel = snow ball effect?
  - Economic regional community often overlap, so not easy to define which community pays what? (ECCAS, CEMAC)

Financing mechanisms

Financing through payment for supervizing functions (ex. construction projects oversight): requires maturity, trust and strong political will

Financing through payment for technical & institutional assistance of projects and programs

Role in the project management cycle: studies, coordination, funding mobilization, monitoring & assessment, « punctual » functions

Financing mechanisms

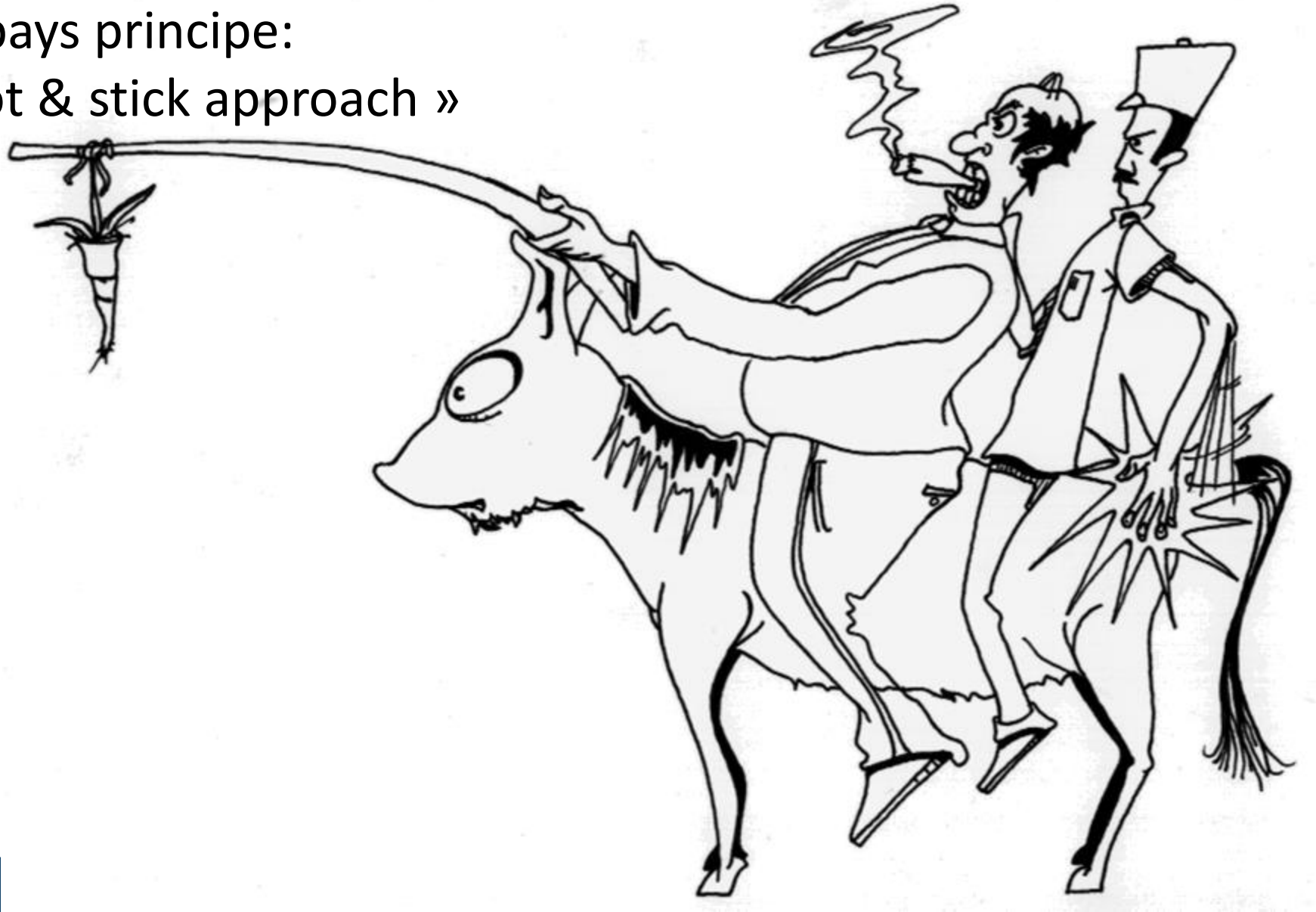
Polluter-pays / user-pays principle:

- Tax for surface water or groundwater resources withdrawal
- Tax for discharges / water pollution

Limits of the « stick approach »

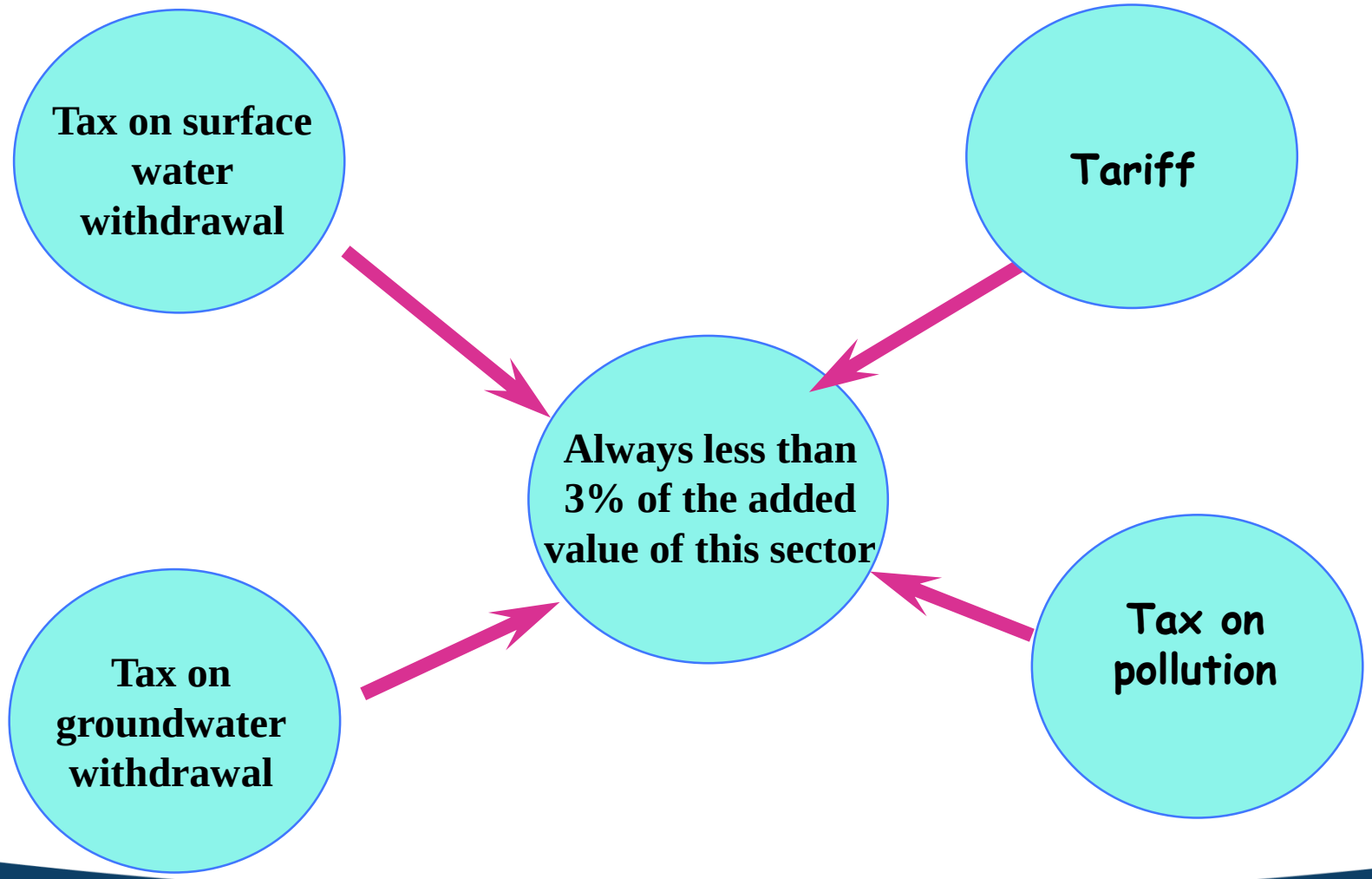
Financing mechanisms

Polluter-pays/consumer pays principe:
the interest of the « carrot & stick approach »



Financing mechanisms

Pareto 80/20 : Mines, industry, hydropower



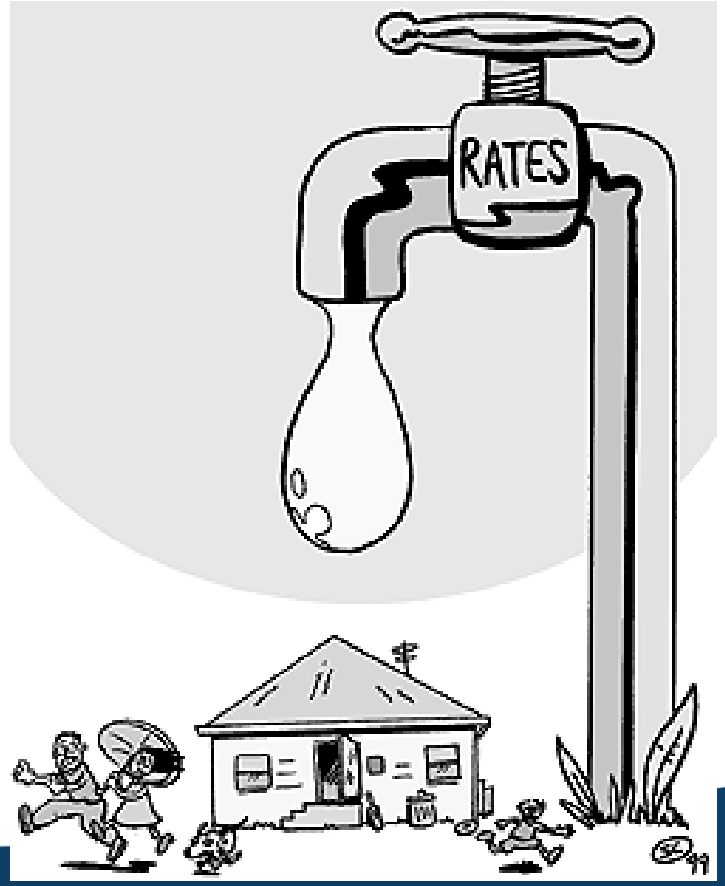
Financing mechanisms

Cost recovery

Water and sanitation bill:

What tariff is the right tariff?

Balance between objectives & tax collection capacity



Financing mechanisms

Financing through payment for services

- Technical & institutional assistance to project holders in the basin
- Selling raw data
- Consulting role for public institutions, private companies, associations,
- Carrying out studies, hydrological modeling, information (data center, water information system, maps, GIS & infrography, data tools for decision-making).

Funding for functions

Governance:	Member States Regional levies Donor agencies & facilities Sale of services (data, advisory)
Stewardship:	(as above, plus) Permits & licences Abstraction charges Pollution charges Navigation , tourism & fishing charges NGOs , green funds Payment for Environmental Services
Development of infrastructure:	Revenues from sales to power, irrigation, water boards; cash flows leverage repayable funding - loans, bonds & equity

Overall financing strategy

One question to develop a financing strategy:

How to finance an action program in a context of limited financial and human resources?

How to finance the program?

What tools and mechanisms can be mobilized?

Is there room for flexibility?

PLANNING

Identify and measure the actions required to achieve the objectives set for the TBO

FINANCING

Identify financial resources that can be mobilized to implement the program of measure

Adjust the program of measures accordingly by either

- Increasing financial resources
- Reducing ambitions to priority actions

Overall financing strategy

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Increasing financial resources

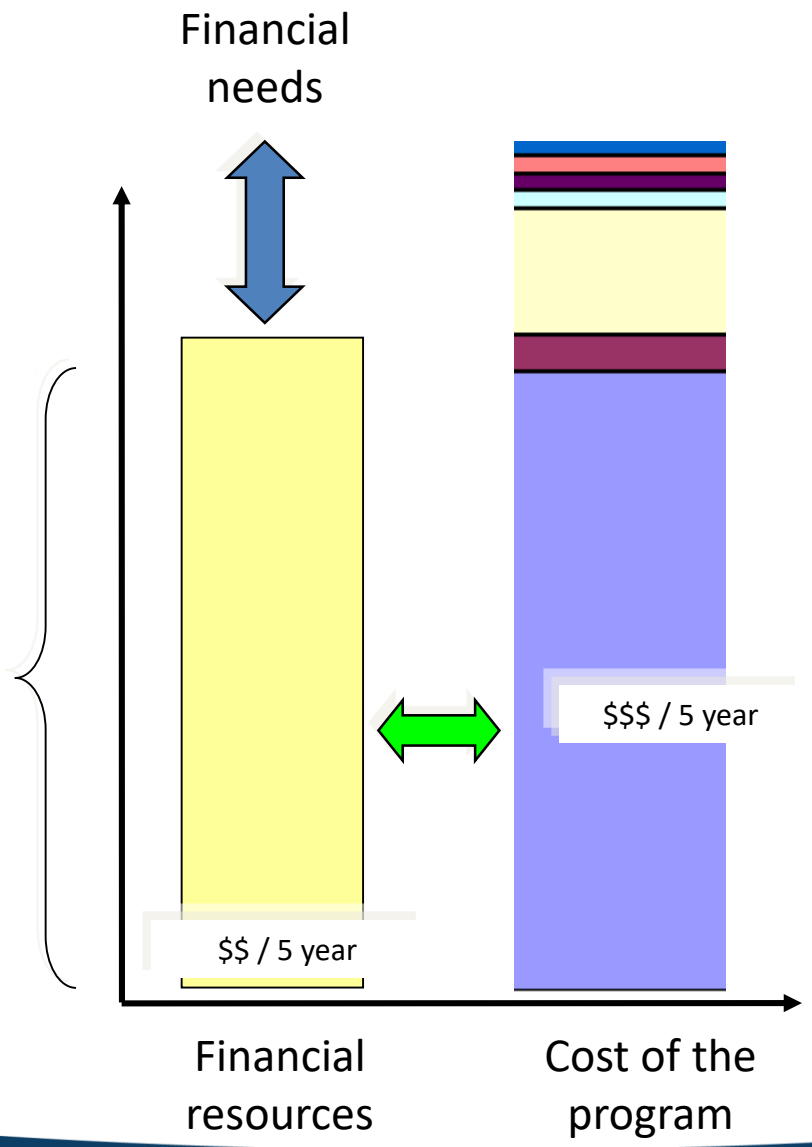
Reducing ambitions to priority actions

Potential financing sources (OECD 3Ts)

1) Tariff

2) Transfer (national funds and budgets)

3) Taxes (on natural resources)



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