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Guidelines for Financing Transboundary Investments through Country Programming

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**CIWA**

## Document Sheet

This Technical Report series publishes results of work that has been commissioned by the member states through the three NBI Centers (Secretariat based in Entebbe- Uganda, the Eastern Nile Technical Regional Office based in Addis Ababa - Ethiopia and the Nile Equatorial Lakes Subsidiary Action Program Coordination Unit based in Kigali - Rwanda. The content there-in has been reviewed and validated by the Member States through the Technical Advisory Committee and/or regional expert working groups appointed by the respective Technical Advisory Committees.

The purpose of the technical report series is to support informed stakeholder dialogue and decision making in order to achieve sustainable socio-economic development through equitable utilization of, and benefit from, the shared Nile Basin water resources.

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## 1 Background

In 1999, Nile Basin riparian countries (Burundi, DR Congo, Egypt, Ethiopia, Kenya, Rwanda, The Sudan, Tanzania, and Uganda) established the Nile Basin Initiative (NBI), as a platform to facilitate dialogue on cooperative management and development of the Nile Basin water and related resources. The Nile Basin Initiative (NBI) is a partnership of the riparian states of the Nile comprising Burundi, Democratic Republic of Congo, Egypt, Ethiopia, Kenya, Rwanda, South Sudan, Sudan, Tanzania, and Uganda. Eritrea is participating as an observer. The NBI seeks to develop the river Nile in a cooperative manner, share substantial socioeconomic benefits, and promote regional peace and security to achieve its Shared Vision of “sustainable socio-economic development through equitable utilization of, and benefit from, the common Nile Basin water resources”. The NBI operates a regional secretariat in Entebbe, Uganda and two sub-basin (SAPs) offices in Kigali, Rwanda and Addis Ababa, Ethiopia.

NBI is mandated to support countries to identify and prepare investment projects in water resources that have been jointly assessed and agreed. The investment projects are in general regionally coordinated and agreed, but they are owned and implemented by the respective countries. While NBI has facilitated implementation of some regionally agreed investments (interconnection of the regional hydropower grids, multipurpose storage, and watershed management); it also has a large pipeline of projects that are ready for implementation or for detailed project preparation. According to a generally held perception amongst countries – the pipeline is not moving fast enough to implementation to deliver tangible benefits. This contributes to the potential mismatch between what member countries expect NBI to deliver and what it actually delivers.

Whilst countries expect NBI to quickly deliver additional funding and investment projects, the substantial investments required in the basin’s development can effectively only be leveraged if the countries include projects in national development plans and funding windows. Hence, Member States are encouraged to anchor their NBI investment agenda in national budgets and mainstream it in the various other regional development agendas that Member States have subscribed to.

It is against this background that Nile-SEC proposed this study to analyze good practices in financing of transboundary investments in other basins around Africa and beyond through country programming. The study documented good practices, identified key findings, and made to the Member states and NBI. This document builds on the recommendations made and is aimed at providing guidance to the NBI and its Member States for increased uptake and development of water-related investment projects.

## 2 Approach

These guidelines, and the assignment as a whole, is based on a combination of intensive desk-top review of documents and in-depth stakeholder consultations. A multitude of applicable documents were reviewed, including relevant NBI Policies and Strategies and Experience Reports, National level documents, as well as international literature, guidelines, toolkits, and the like. This was complemented by consultations with

- Member States government representatives (serving on respective governance structures)
- National government representatives from relevant national ministries, e.g. ministries responsible for water, finance, and planning
- Staff members of the three NBI centres
- Other stakeholders with experience in investment project preparation and programming (e.g. representatives of other RBOs, PIDA, CRIDF etc.)

Some of these stakeholders were interviewed face-to-face during country/ NBI centre visits, while the remainder were consulted online (Skype interviews).

The findings from the document review and the stakeholder interviews informed the diagnostic analysis presented in Report 1 and the complementary report on international good practice (Report 2). Report 1 documents NBI experience in facilitating identification, preparation, and implementation of regional investment projects and NBI identified projects that have been absorbed in national programming. The report is aimed at providing first-hand, on the ground experience, identifying the main challenges and bottlenecks, as well highlighting approaches and factors that led to success. Report 2 on international experiences provides an overview of relevant international practice that can be of benefit to NBI and its Member States. It highlights factors that are common and generic, and how they have been dealt with in different contexts (and which NBI can adopt in their processes). The report also highlights elements that might be unique to the NBI situation and identifies good practice that NBI has developed and which other organisations can learn and benefit from.

The cumulative findings from these two assessment reports (on diagnostic and good practices) were used for an analysis to determine if and where there is room for improvement in the way the NBI operates with regards to investment planning and programming. This translated into a set of recommendations, which are summarised in this Report 3 and forms the basis for these Guidelines for transboundary investment planning through country programming.

In summary, the findings of the study are presented in four key documents, namely

- a) A diagnostic report documenting current NBI practice (report 1),
- b) an international good practice report documenting international experiences that could be of use for NBI (report 2),

- c) this recommendations report (report 3), and
- d) this guideline document that provides guidance to NBI and the member countries on the project identification, preparation, and implementation process.

The draft reports were presented to relevant stakeholders for guidance and validations and benefitted from their valuable comments and contributions.

### 3 Transboundary investment project preparation stages

This study focuses on regional investment projects, i.e. projects that are either truly transboundary in nature in the sense that they are jointly implemented by two or more Nile basin countries, or national level projects with transboundary benefits and/ or impacts. Typically, the projects discussed in this report therefore involve the NBI (centres), especially NELSAP-CU, as well as national governments throughout the various stages from project selection to operation. The interfaces between NBI structures and national level entities throughout the process are a focus of this report.

In the context of this study, investments are projects for the economic and/ or social development of water resources, as well as for the improved management of water resources. These investments therefore encompass infrastructure projects, as well as various forms of livelihood, catchment management or environmental protection measures. Often, investments are comprised of several or all these components.

Investment projects go through numerous steps from their initial conceptualization to construction and ultimately operation. These steps are commonly structured into stages and the available literature to some degree varies on the number of stages and which steps falls into which stage. The reports produced under this assignment categorize the process into the stages as defined by the Programme for Infrastructure Development in Africa (PIDA). Based on the (creation of the) general enabling environment for infrastructure development (stage zero), the PIDA defines four stages for project development, namely:

Stage 1: Project Definition and Selection

Stage 2: Project Preparation (Feasibility Assessment)

Stage 3: Financial Structuring

Stage 4: Project Implementation (construction and operation)

Several of these stages have several sub-stages (see Annex 3 for full overview), and often the progression from one stage to the next is not strictly linear. There are overlaps in time and content between the different stages, but nevertheless the categorization is useful for conceptual clarity and understanding of the overall progression of project development. The recommendations in this report are therefore structured into these four stages.

## 4 Guidelines

This section provides guidance for the practical implementation of the recommendations. It is important to bear in mind that efficient development of (transboundary) investment projects requires well-aligned actions at national and regional levels. These guidelines therefore highlight at which level the recommended action should be taken and describes how the actions taken at these levels interact with each other.

### 4.1 Project prioritization and selection

Key to increased programming and development of projects is selecting the 'right' projects. These are projects that are technically, environmentally, socially, and financially sound, meet the funding interests of (public and/ or private) financiers, and enjoy true political buy-in and support from national governments. The following are means to streamline the project prioritization and selection process, outlining both long-term measures to improve the enabling environment, and short-term measures to improve the efficiency of project development in the current environment.

#### 4.1.1 Priority investment plans

The identification, prioritization, and subsequent developing of investment projects greatly benefits from clearly agreed investment priorities at both national and regional levels. For some Nile countries only a small part of their territory is located in the Nile basin, whereas for others it is a significant part of the national territory. Consequently, the importance placed on investments in the Nile basin varies between countries. For the NBI centres, especially, it is therefore important to carefully analyze each country's investment frameworks prior to determining which projects to develop in conjunction with the countries. This study pointed out that one of the major bottlenecks for increased uptake and financing of projects at national level are the often poorly defined investment priorities. This manifests in several ways, such as

- Projects being proposed to NBI by line agencies for preparation, which in the end do not get approval for financing from the national ministry of finance because they are not considered a country priority (especially in tight fiscal environments).
- NBI securing preparation finance for these projects, which ends up being spend on projects that are not being implemented.
- NBI maintaining lists of potential projects that likely contain several projects that are no longer country priorities.

With limited available human and financial capacity for project development, it is important that both NBI and countries focus their efforts on fewer, but critical projects that are clear priorities, instead of spending time and resources on determining which projects are indeed country priorities in the sense that national governments are willing to fund them.

Defining clear investment priorities can be achieved through the following means:

#### **National Level**

- Development of clear national priority (infrastructure) investment plans that define national investment priorities for the short-, mid-term and long-term (5- or 10-year cycles). These

investment plans should be coordinated between the different line ministries and approved at cabinet level to ensure high-level approval and becoming the agreed national reference document for investment priorities.

- Only project approved in the national priority investment plans should be proposed for project preparation at regional level. Any request to NBI to develop a project should document that the project forms part of the identified infrastructure priorities. Any project development request to NBI should be signed off by the national ministry of finance and indicate a clear commitment from the national budget towards the project.

#### **Regional level**

- Development of basin-wide or sub-regional management and investment plans. These jointly agreed regional plans should be harmonized with the national investment priority plans. A regional investment plan would contain national level priority projects as well as transboundary projects. Transboundary projects should be part of the national priority investment plans of each country that forms part of the project. The NBI should play pivotal role in collaborative, joint planning, providing technical support on many basin-wide management aspects, and providing a platform for information exchange, negotiation, and collaborative decision-making.
- NBI needs to carefully analyze each country's investment priorities and maintain an updated database of planning and investment related policy and strategy documents for each country. NBI should only accept to secure funding and prepare projects that are identified as national priorities in the national priority investment plans (or equivalent frameworks) and for which the national ministry of finance has made a clear commitment for funding from the national budget.

#### 4.1.2 Coordination

It is evident that the suggestions made above require efficient inter-sectoral coordination at national level, and inter-governmental coordination at regional level. Such coordination is also essential throughout the entire project development cycle from project selection to implementation. National level inter-sectoral coordination was cited by stakeholders as a main weakness, with previously established structures no longer functioning or functioning poorly, often more in an ad-hoc than regular and structured manner.

Regional level coordination between NBI Member States takes place through the various governance structures established. These deal with investment planning matters only among many other pertinent issues. Also, the bulk of the technical coordination happens at TAC level, while senior level (Ministers) meetings happen less frequently. The stakeholders consulted for this study highlighted that coordination for project development requires high-level (i.e. at least PS level) coordination from planning all the way through implementation. It would therefore be beneficial that more regular coordination for investment planning and project development takes place at senior level. The senior level delegates to this coordination structures would also be ideal to serve on project specific coordination and oversight structures between countries jointly developing projects (see 4.2.1)



#### **National level**

- National governments should consider revitalizing and maintain regular intersectoral coordination structures about infrastructure prioritization at very senior level. These would also be the primary structures for the development of the proposed national priority investment plans. It is important that the inter-sectoral coordination includes not only technical line ministries, but also the ministries responsible for planning and for finance.

#### **Regional level**

- NBI Member States should consider a more efficient high-level coordination mechanism for investment planning (akin the EAC model) and for project-specific coordination and oversight (as has recently already been done for some bilateral projects).

#### 4.1.3 Planning cycles

It is recognized that the measures proposed above to create a more conducive enabling environment for project prioritization and selection are long-term measures. In the meantime, it would be beneficial if the selection of project could be better coordinated with relevant national level planning cycles. The stakeholders consulted for this study pointed out that it is nearly impossible for projects to be taken up at national level during a running 5-year national planning cycle. It is therefore essential that projects be prioritized during the preparation period for an upcoming 5-year plan, which in case of transboundary projects requires alignment with two or more national planning cycles. Effectively means that the uptake of projects at national levels can only (or at least, best) happen during certain window periods. This can be responded to in the following ways.

#### **National level**

- The harmonization of planning cycles between countries across the region would create clearly defined windows for project selection (and subsequent preparation) and make it easier for countries to move transboundary projects forward at the same time. Especially if aligned with the proposed national priority investment plans this would create clear investment planning cycles to which both regional actors and financiers could respond easier.

#### **Regional level**

- NBI could develop a system (i.e. an online database, or even a simple excel based tool) for tracking the different planning cycles of relevant line ministry plans and especially national development plans in the Member States. This would allow the NBI to identify the windows in which projects need to be selected and programmed/ budgeted for at national level. Identifying these windows well beforehand allows for better advance planning and sets clear deadlines for project concept note development, promotion of projects, inter-sectoral coordination at national level, and between countries for transboundary projects.

#### 4.1.4 Project screening

Another important factor to select the 'right' projects for development is the application of clear, robust, and coherent screening criteria. Screening potential projects early against clearly defined screening criteria avoids spending time and money on preparing and marketing projects that have a small likelihood of getting the necessary finance and/ or support from governments. It is therefore essential that the screening criteria are based only on objective criteria relevant to determine the likelihood of success for a project to receive funding. This can be a challenge especially at regional level, where in the preparation of regional investment plans political consideration such as 'equal number of projects' per country, or the like, are coming into the equation. Criteria of this nature do not increase a chances of funding for a project, more likely they perpetuate the current situation where numerous projects with little chance of receiving funding are included in various 'pipelines', or 'long-lists'. While the development of regional/ basin-wide investment plans is encouraged in these guidelines (see 4.1.1), it is important that the projects included therein are selected purely on merit, checked against objective screening criteria.

For project screening at regional level it is necessary that the screening criteria are aligned with and take into consideration the applicable national project appraisal criteria to avoid that projects pass the regional screening, but are not programmed at national level because they do not meet the national project appraisal criteria (as it has at times happened in the past). Further, a screening through an agreed quick check methodology very early on in the process can help in filtering out projects with little likelihood of success and avoid resources being unnecessarily spend.

The following actions are recommended.

<p><b>National level</b></p> <ul style="list-style-type: none"><li>➤ National governments should assist NBI in developing robust, merit-based project screening criteria and a quick-check methodology that checks projects in a two-step approach against regional screening and national project appraisal criteria.</li><li>➤ National governments should assist NBI in harmonizing regional project screening criteria with national project appraisal criteria.</li><li>➤ National governments should, jointly with NBI, screen potential projects with the quick-check methodology before requesting NBI support for project preparation.</li></ul>
<p><b>Regional level</b></p> <ul style="list-style-type: none"><li>➤ NBI should further tighten and strengthen regional project screening criteria and adopt an agreed set of robust screening criteria that are well aligned with national project appraisal requirements and those of international financiers.</li><li>➤ NBI should consider developing (or adopting) a quick check methodology for the early screening of potential projects against the agreed project screening criteria.</li><li>➤ NBI should screen the various project lists against the tightened screening criteria and remove projects that do not meet the criteria from the list. The remaining project should be</li></ul>

consolidated in an official 'NBI investment project portfolio' that is captured in a searchable 'dashboard' that lists key project information and the status of project development.

#### 4.1.5 Project awareness-raising and promotion

In an environment where different sectors compete for limited financial resources from government (and external financiers), it is important that a project's benefits to socio-economic development are presented to decision-makers early and in a convincing fashion. Ideally this is done using inter-sectoral coordination structures as entry points and informs the selection of projects for national priority investment plans.

##### **National level**

- A short, but clear project concept note that convincingly demonstrates project benefits should be developed by line ministries for any proposed project to raise awareness of the project and support its prioritization with other line ministries, especially ministries responsible for planning and finance.
- The proposing line agency should develop a clear awareness-raising/ promotion strategy for the project from the start.
- Governments could consider appointing high-level project champions to promote projects as part of an organized awareness-raising and promotion campaign for each project.

##### **Regional level**

- Given their experience in project development, NBI can provide governments with guidance and expertise for concept note development.
- NBI and governments should jointly apply the agreed quick-check methodology to a proposed project and demonstrate that the project meets the regional and national screening criteria before the project is tabled for discussion at the inter-sectoral coordination structures.

#### 4.2 Project Preparation

Detailed project preparation studies are an important stepping-stone to bring a project from conceptualization to implementation. This study identified several bottlenecks related to the carrying out and management of preparatory studies that often lead to considerable delays and impede the programming and implementation of projects.

#### 4.2.1 Study management and oversight

One of the main weaknesses related to preparatory studies highlighted by stakeholders is the lack of involvement of national governments in the oversight and management of these studies. The importance of establishing effective high-level oversight structures for project development has been highlighted earlier in these guidelines and is also critical for the management of preparatory studies. More recently this has been identified by the NBI and addressed in some regional projects. It was found that establishing structures at Permanent Secretary level for regular monitoring of project progress has made project coordination considerably easier and helps in removing bottlenecks. Recognizing that technical skills for the oversight of studies is currently mostly concentrated in the regional centres, it is advisable that the project-specific project oversight structures made up from national government officials are supported by experience project development experts from the NBI. This will also contribute to a skills transfer and capacity building over time.

<b>National level</b> <ul style="list-style-type: none"><li>➤ For national level projects, national governments should establish inter-sectoral coordination structures for project oversight. For continuity delegates should be appointed from among the members of the (proposed) inter-sectoral investment coordination structures.</li></ul>
<b>Regional level</b> <ul style="list-style-type: none"><li>➤ Governments should continue the recent practice of establishing high-level project oversight and coordination structures for transboundary projects made up of senior officials. These structures should be maintained throughout the entire project development period until completion and handover (to the operator) of the project.</li><li>➤ NBI centres should continue to provide technical guidance and managerial support to project oversight to these structures with a view to increasing national level capacity over time.</li></ul>

#### 4.2.2 Scope and quality of studies

The study oversight structures referred to above are needed to ensure that project preparation studies are covering the correct scope and are carried out to the desired level of quality. Concerns have been expressed especially with respect to the scope of studies, noting that institutional, social, and political aspects of project implementation and subsequent operation are not always adequately assessed in the feasibility studies conducted. The latter often pose far more challenges during project implementation than technical/ engineering aspects and it is therefore critical that the preparatory studies adequately cover these non-technical elements.

Parts of the Nile region are experiencing political and social instability and there are risks for project development associated with this often heavily fluctuating political and social environment. While these risks cannot be fully controlled, they can be mitigated against better if they are well understood. It is therefore essential for project developers that a thorough assessment of the risks from the political

environment is undertaken at the outset of project development and monitored through all stages of project development.

#### **National level**

- National governments (through the established oversight structures) should be involved in the development of the ToR for project preparation studies. This applies to both national and regional projects.
- Governments should play an active, hands-on role in the oversight of the project preparation studies, and not delegate this role entirely to the NBI and wait for the handover of the completed studies.
- Governments need to ensure that equal attention needs to be given to the investigation of social, political, and institutional aspects of a project, as is to technical/ engineering and financial aspects. This applies especially to assessing the institutional capacity and suitability of the entity envisaged to be responsible for the implementation and/ or operation of project infrastructure.

#### **Regional level**

- NBI centres and national governments should ensure that through the project oversight structures, active engagement with the study consultants takes place and effective oversight is provided.
- NBI and national governments jointly need to establish adequate quality control mechanisms for preparatory studies and ensure that quality requirements are rigorously met.
- NBI and governments should establish clear requirements for the expected scope of the assessment of institutional, social, and political aspects that could pose risks for the project. A political economy assessment should form part of the expected scope of feasibility studies to flag potential political/ institutional risks to the project early on.

#### 4.2.3 Capacity

Skills and expertise for project preparation studies, and project development in general, are limited in the Nile region. Where they exist, they are predominantly concentrated at the regional level, with little available capacity at the national level. This requires balancing the need to carry out preparatory studies as swiftly as reasonable and to high quality standards, with the need to progressively build project preparation and development capacity in the region.

At present the project preparation works is mostly carried out by international consulting firms who bring the required technical and managerial capacity. To facilitate easy access to qualified consultants, NBI is further considering the establishment of a panel/ roster of pre-qualified consulting firms that can be

drawn from at short notice. It would be beneficial to the region to combine these efforts of fast and effective mobilization of expertise, with mid- to long-term capacity building.

<p><b>National level</b></p> <ul style="list-style-type: none"><li>➤ When commissioning project development related work, governments should ensure that demonstrated capacity building efforts form part of qualifying criteria for international firms.</li><li>➤ National governments should increasingly be involved in overseeing preparatory studies so that government staff can benefit from the experience of NBI as well as international consultants and build capacity through a ‘learning on the job’ approach.</li></ul>
<p><b>Regional level</b></p> <ul style="list-style-type: none"><li>➤ When establishing a panel of pre-qualified consulting firms for preparatory work (incl. transactional advisors), NBI should ensure that the building of capacity in the region forms part of the qualification requirements. Qualified firms should be re-evaluated on a regular basis to see if the capacity building requirements are met.</li><li>➤ The panel should be complemented by a regularly update matrix of firms and individuals with information on their qualifications, specialized field of expertise, and performance.</li><li>➤ The project oversight structures that are increasingly established for transboundary projects, provide a good entry point for the NBI to progressively build project development capacity among national government staff.</li></ul>

#### 4.2.4 Financing of preparatory studies

The nearly full reliance on external (i.e. non-government funds) for preparatory work is a key bottleneck for increasing the uptake of projects at national level. On the one hand it reduces the overall availability of project preparation funding and thus the number of projects that can be developed. Further, external project financiers are interested to see that governments are willing to invest in the preparation of projects as this demonstrates full government commitment to the project, which in turn increases the confidence of investors.

Increasing national level funding for project preparation studies can on the one hand be achieved by countries directly budgeting for project preparation studies. Another modality is foreseen in the proposed NELSAP PPF that is envisaged to advance project preparation costs from its initial capitalization, but would recover the preparation costs from governments since these would form part of the overall loan agreement for the implementation of the project. The NELSAP PPF would thus not only constitute an additional facility that puts a substantive amount of project preparation funds at the disposal of the countries of the region, it would also be an innovative mechanism to facilitate the gradual increase in national government funding for project preparation.

#### **National level**

- National governments should consider establishing dedicated budget lines for project preparation work and increasing their budget for preparatory studies. At political level this would be easier to justify if linked directly to projects included in the proposed national priority investment plans.

#### **Regional level**

- The NELSAP PPF should be established and strongly promoted with national governments.

### 4.3 Financial Structuring

Moving a project from preparation to implementation requires financial structuring, i.e. finding suitable financial partners, securing sufficient funding, and defining the financial modalities for the implementation of the project. The financial structuring is often a major bottleneck, with too few projects reaching the stage of 'bankability'. Successful financial structuring requires the careful matching of projects with suitable financial partners. The following aspects are useful in making this task more effective.

#### 4.3.1 Identifying the 'right' financial partners

The types, scopes, and objectives of projects are diverse, and likewise are the funding interests and requirements of potential financiers, be they public or private sector financiers. The NBI centres have established good relationships with a variety of financial institutions, but there is perhaps still scope for upscaling the monitoring of the investor landscape and the engagement with additional potential financial partners.

#### **National level**

- Governments could consider appointing national counterparts to the proposed liaison people at regional level (see below), to ensure that potential projects are matched with potential financiers in a coherent and targeted manner.
- The proposed investor dashboard (see below) would be a useful tool for governments (and NBI) to track the funding interests of key investors, allowing to select and conceptualize projects with a specific financier/s in mind, since it is often easier to match projects to the financing interests of investors, than to find suitable investors for projects that have been conceptualized and prepared without specific financiers in mind.

### **Regional level**

- While continuing its ongoing engagement with key financing institutions the NBI could consider broadening their search for investors through developing a more structured overview (dashboard) of financiers and their funding interests and key requirements. This could be integrated with the proposed investment project dashboard (see 4.1.4) to allow easier matching of projects with potential financiers.
- NBI could consider appointing designated liaison people (focal points) internally who each are responsible for liaising with designated key financiers, i.e. regular engagement on current finance interest of the respective financiers, funding conditions etc.. This will potentially broaden the range of available financing options, especially for 'soft' projects.

### 4.3.2 Project scale

For financing institutions, a concern for funding projects is that at times these projects are not 'worth their while'. Especially livelihood projects often lack the scale that makes them attractive for financiers. These (type of) projects sometimes lend themselves to upscaling to increase their bankability and attractiveness to financiers. Another approach being followed by the NBI is grouping projects into investment programmes that are promoted as a 'package'.

### **National level**

- Governments should consider developing more targeted livelihood improvement projects at sizeable scale. These would attract more external finance if governments would allocate project preparation funding from the national budget to these projects. Where possible these projects can be developed as transboundary projects with demonstrated transboundary benefits, thereby potentially opening additional funding options.

### **Regional level**

- NBI should assess whether there is potential to upscale, or group together, currently unfunded (livelihood) projects into larger programmes that could be more attractive to financiers. This should be done in conjunction with the broadening of the range of potential financiers as proposed above

### 4.3.3 Documenting project benefits

Part of matching a project to the right financial partner is to document to potential investors the benefits of the project. This applies as much to the national government as a funder, as to external public or private financiers. In a tight financial environment innovative tools for documenting project benefits will



increasingly be needed to support financial resource mobilization and country level prioritization of projects.

The issue is discussed here under financial structuring because it is essential to documenting project benefits of potential investors. However, it should be noted that documenting these expected benefits is an ongoing task that starts already at concept note development and is an important factor for funders to make project preparation funds available.

#### **National & Regional level**

- Project proponents should clearly show in an easily accessible matrix how the proposed project contributes to defined sector development and overall national development goals at national level, and regional objectives in case of transboundary projects.
- Project proponents in the Nile region should explore avenues to better substantiate the benefit of projects and show the projects' comparative advantage over other projects competing for limited financial resources, especially at national level. This should be aided where possible by suitable tools that are available internationally.

## 4.4 Project Implementation

Once the funding for a project has been secured and financial structuring concluded, the project moves into implementation. Modalities for project implementation are as numerous as the potential challenges that can be encountered at this stage, spanning a wide range of technical, social, environmental, and political issues.

### 4.4.1 Institutional arrangements

Suitable institutional arrangements for project implementation are important for any project, and even more so for transboundary projects where coordination between two or more countries is required. Project implementation is the responsibility of national governments, exercised either through existing government institutions or those created specifically for the purpose of a project. There are numerous different examples of suitable institutional set-ups for the implementation of national and transboundary investment projects. The different models depend on the expected task for the organization, their mandate, and the overall degree of cooperation and/ or regional integration between the project partners. It is important that each structure is carefully tailored to the specific requirements of the project.

In the Nile context there are diverse opinions among national governments, international financing institutions, and the NBI itself as to the exact role of the NBI in project implementation. The NBI is not a designated implementation agency with the mandate to implement projects within its Member States. NBI can, however, provide support to national governments where requested, given the specialist expertise available in the NBI.

#### **National level**

- Institutions for project implementation should be defined and established as early as possible in the project development process. They should be tailored to the specific needs of the project.
- Government should explore if certain institutions initially established for a specific project might also lend themselves to becoming specialized project implementation agencies, given the skills and expertise accumulated within them. This would consolidate highly specific skills in the respective countries.

#### **Regional level**

- The role of the NBI during project implementation needs to be clearly defined and mechanisms established that ensure the capacity and institutional memory of the NBI benefits project implementation. This could for example be done through regular training by NBI staff of project implementation agency staff, or even temporary secondment of NBI staff to such agencies.

#### 4.4.2 On-the-ground implementation challenges

Challenges during project implementation are numerous, and so are international experiences (both good and bad) in addressing them. It is at this stage where any project will benefit greatly from the preparatory work having been done to the required level of depth. Many institutional, social, and political problems can be avoided if these issues have been properly identified and flagged during project preparation.

It is well beyond the scope of these guidelines to illustrate in detail the myriad of challenges faced in project implementation and the solutions developed in response. There are projects in other parts of the continent that can provide valuable experiences and guidance, and learning exchange between basins should be encouraged.

#### **National & Regional level**

- Governments and NBI should consider compiling case studies documenting experiences made with project implementation made elsewhere. Some such case studies already exist (e.g. Komati Basin Development project case study with interesting lessons on institutional structures, community engagement, and the management of resettlement processes).
- NBI and Member States should consider organizing tailored information visits to projects in other parts of the continent/ world to learn from their experiences, and share NBI experiences with them.

## 5 Conclusion

These Guidelines provide practical suggestions to address some of the key bottlenecks currently hindering the development and uptake at national level of projects from the various NBI project portfolios. It is

recognized that some of the measures proposed require long-term efforts (e.g. establishment of inter-sectoral coordination structures; development of national priority investment plans), they are nevertheless highlighted in this document due to their strategic importance. At the same time there are some measures proposed in these guidelines that could improve the efficiency of project development and uptake within the current enabling environment (e.g. project dashboard; investor tracking tool; tracking of national planning cycles).

It is also acknowledged that several of the measures and approaches proposed in these guidelines are already well recognized (or even pioneered) by the NBI. They are listed here to document a complete picture and to contribute to raising awareness of the work already being done and the expertise available at the NBI.

Last, it cannot be emphasized enough that many of the aspects described in these guidelines for a certain stage of project development are not limited to that stage but are cross-cutting issues that need to be considered throughout the entire project development process. Examples are the need for inter-sectoral and cross-country coordination, capacity building, and ongoing awareness-raising and promotion of projects.

Overall, there is already considerable project development expertise available in the region, predominantly at the regional level. It is important that NBI demonstrate clearly to the Member States (beyond the immediate NBI governance structure) what contribution they are already making to project development in the region and could make in the future. At the same time, national governments are encouraged to streamline their efforts to build commensurate capacity and enabling environments at the national level and work closely with the NBI to upscale project development and implementation.

## Annex 1: List of consulted documents

1. Acholi Community Greater Magwi County Torit State – The Republic of South Sudan/ Position Paper on the Limur/Nyimur Multipurpose Water Project
2. Aide-Memoire of the Consultative Meeting of Key Stakeholders – Limur/ Nyimur Multipurpose Water Resources Project
3. African Water Facility Evaluation Synthesis Report (Draft)
4. AMCOW - Evaluation of the Implementation Status of Water-related Projects of the Programme for Infrastructure Development in Africa (PIDA)
5. and Formulation of respective Action Plans
6. CRIDF: Concept Note Guide: Useful Steps & Tools for Livelihood Portfolios & Projects
7. Global Infrastructure Hub - Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation
8. ICA – Effective Project Preparation for Africa’s Infrastructure Development (2014)
9. KOBWA – Dams and Development: The KOBWA Experience
10. Lake Edward and Albert Integrated Basin Management and Investment Plan
11. Letter of Agreement between NEPAD-IPPF & NBI/ NELSAP-CU on the Preparation of the Angololo Water Resources Development Project
12. NBI – Building on Shared Benefits – Transforming Lives in the Nile Basin
13. NBI Financing Strategy
14. NBI Resource Mobilization Action Plan
15. NBI Strategy 2017-2027
16. NBI Basin-wide Program (2017 – 2022)
17. NBI/ NELSAP-CU Project Advisory Unit and Project Preparation Fund – Concept Paper
18. NEL MSIOA – Indicative Investment Strategy and Action Plan
19. NELIP Projects Strategic Analysis
20. NELIP – agreed project screening criteria
21. PIDA PAP Progress Monitoring Indicator Protocol
22. PIDA Progress Report 2019
23. The PIDA Quality Label: a vehicle of the Service Delivery Mechanism to enhance project preparation

## Annex 2: List of consulted stakeholders

Name	Organisation	Position	Contact details	Method of consultation	Date consulted
<b>NBI centres</b>					
Dr. Abdulkarim Seid	NBI (Nile-SEC)	Deputy Executive Director	<a href="mailto:aseid@nilebasin.org">aseid@nilebasin.org</a>	Meeting	continuous
Tom Waako	NBI (Nile-SEC)	Programme Officer	<a href="mailto:twaaako@nilebasin.org">twaaako@nilebasin.org</a>	Meeting	continuous
Dr. Maro Andy Tola	NBI (NELSAP-CU)	Programme Officer – Water Resources Management and Development	<a href="mailto:matola@nilebasin.org">matola@nilebasin.org</a>	Meeting	5-Mar
Polycarp Onyango	NBI (NELSAP-CU)	Communications Officer	<a href="mailto:ponyango@nilebasin.org">ponyango@nilebasin.org</a>	Meeting	5-Mar
Eng. Sammy Osman	NBI (NELSAP-CU)	Water Resources Engineer	<a href="mailto:sosman@nilebasin.org">sosman@nilebasin.org</a>	Meeting	5-Mar
Alphonse Kizihira	NBI (NELSAP-CU)	Finance and Administration Manager	<a href="mailto:akizihira@nilebasin.org">akizihira@nilebasin.org</a>	Meeting	5-Mar
Daniel Chonza	NBI (NELSAP-CU)	Senior Economist M and E Specialist	<a href="mailto:edchonza@nilebasin.org">edchonza@nilebasin.org</a>	Meeting	5-Mar
Teshome Atnafie	NBI (ENTRO)	Senior Reginal Project Coordinator	<a href="mailto:tatnafie@@nilebasin.org">tatnafie@@nilebasin.org</a> ; <a href="mailto:teshomeatnafie@gmail.com">teshomeatnafie@gmail.com</a>	Meeting	12-Mar
Awoke Kassa	NBI (ENTRO)	M&E Officer		Meeting	12-Mar
<b>Member States Governments</b>					
Dr Florence Grace Adongo	Ministry of Water & Environment (Uganda)	Director - Water Resources Management; TAC Member	<a href="mailto:florence.adongo@mwe.go.ug">florence.adongo@mwe.go.ug</a>	Meeting	2-Mar
Sowed Sewagudde	Ministry of Water & Environment (Uganda)	Principal Water Officer		Meeting	2-Mar
Wycliff Tumwebaze	Ministry of Water & Environment (Uganda)	Principal Water Officer & National NBI Desk Officer		Meeting	2-Mar
Eng. Disan Ssozi	Ministry of Water and Environment (Uganda)	Commissioner - Water and Environment Liaison		Meeting	2-Mar
Dr. Tom Okurut	National Environment Management Authority (Uganda)			Meeting	2-Mar
Eng. Gilbert Kimanzi	Ministry of Water and Environment (Uganda)	Commissioner - Water for Production	<a href="mailto:gilbert.kimanzi@mwe.go.ug">gilbert.kimanzi@mwe.go.ug</a> ; <a href="mailto:gjkimanzi@gmail.com">gjkimanzi@gmail.com</a>	Meeting	3-Mar

Jackson Twinomujuni	Ministry of Water and Environment (Uganda)	Commissioner - International and Transboundary Water Affairs	jackson.twinomujuni@mwe.go.ug; jk.twinomujuni@gmail.com	Meeting	3-Mar
Eng. Edward Baleke Ssekulima	Ministry of Energy and Mineral Development (Uganda)	Principal Energy Officer - Energy Supply	ebaleke@energy.go.ug; balekessekulima@gmail.com	Meeting	3-Mar
Ashaba Hannington	Ministry of Finance, Planning & Economic Development (Uganda)	Commissioner	hannington.ashaba@finance.go.ug; ashabakh@yahoo.co.uk	Meeting	3-Mar
Sylvester Timbissimirwa	Ministry of Finance, Planning & Economic Development (Uganda)	Water Focal Point		Meeting	3-Mar
Jacqueline Nyirakamana	Ministry of Environment (Rwanda)	Transboundary Water Resources Cooperation Specialist	jnyirakamana@environment.gov.rw; nyirjacqueline@yahoo.fr	Meeting	6-Mar
Francois Xavier Tetero	Ministry of Environment (Rwanda)	Head of Water Department & Nile TAC Member		Phone call	6-Mar
Marc Manyifika	Ministry of Environment (Rwanda)	Director General of Land, Water and Forestry, Directorate General		Meeting	6-Mar
Francis Wajo	Ministry of Water Resources and Irrigation (South Sudan)	Director for Policy, Sector Coordination and Regulation	franciswajo@yahoo.com	Phone call	6-May
<b>Other Stakeholders</b>					
Andrew Takawira	GWP & CRIDF		<a href="mailto:andrew.takawira@gwp.org">andrew.takawira@gwp.org</a>	Skype call	11-Feb
Dr. Malte Grossmann	GIZ	Head of Project - Transboundary Water Cooperation in the Nile Basin	<a href="mailto:malte.grossmann@giz.de">malte.grossmann@giz.de</a>	Meeting	3-Mar
Dr. Lovisoa Razanamahandry	AUDA		<a href="mailto:Lovasoar@nepad.onmicrosoft.com">Lovasoar@nepad.onmicrosoft.com</a>	Skype call	9-Mar
Dr. Arumugam (Morgan) Pillay	GIZ	Senior Infrastructure Technical Financial Advisor (PIDA)	<a href="mailto:arumugam.pillay@giz.de">arumugam.pillay@giz.de</a>	Skype call	9-Mar

## Annex 3: PIDA Project Stages and Key Milestones

<b>Code</b>	<b>Name</b>	<b>Description</b>	<b>Key Milestone(s)</b>
S0	Enabling Environment and Needs Assessment	Development of relevant policies, laws, regulations and institutions and capacity and consensus building that allow and support the development of projects.	
S1	Project Definition	This phase includes part of the early stage concept design work needed before the pre-feasibility phase encompassing concept note development, ToRs for Pre-feasibility study, finalizing project grant agreement, setting up a project coordination mechanism and finalizing a project information brief.	Concept Note
S2A	Pre-Feasibility	This stage encompasses successful completion of activities focused on acquiring support for basic and technical financial modeling; conducting of due diligence and finalizing of the pre-feasibility studies	Pre-Feasibility Study
S2B	Feasibility	This phase encompasses activities focused on completing the feasibility study which covers organizational, financial, technical, social, environmental and other aspects of the project, securing its approval; drafting and finalizing ToRs for technical advisory services; conducting detailed project engineering designs and conducting detailed financial modeling for the project.	Feasibility Study

<b>Code</b>	<b>Name</b>	<b>Description</b>	<b>Key Milestone(s)</b>
S3A	Project Structuring	This phase involves creating the appropriate commercial and technical structure for the project crucial not only for attracting finance, but also for attracting the right mix of finance, development of financing options and development of an overall commercial structure and preliminary legal structuring.	Financial Structuring Plan
S3B	Transaction Support & Financial Close	This phase involves creating the appropriate commercial and technical structure for the project crucial not only for attracting finance, but also for attracting the right mix of finance, development of financing options and development of an overall commercial structure and preliminary legal structuring.	Project Funding Approved; Credit Enhancing Mechanisms in place
S4A	Tendering	This phase encompasses activities on preparation of tender documents, identification of construction financing methodology and the tender opening and bid evaluation processes and the awarding of the tender.	Tender Documents Prepared and Approved
S4B	Construction	Construction and physical implementation on the infrastructure project commences	Consulting Engineer Contracted; Construction Contracts signed
S4C	Operation	The infrastructure is operational at this stage.	To be defined per sector and per



<b>Code</b>	<b>Name</b>	<b>Description</b>	<b>Key Milestone(s)</b>
			project during Evaluations



ONE RIVER  
ONE PEOPLE  
ONE VISION

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