



Sio-Malaba-Malakisi Basin Investment Plan and Financial Sustainability Strategy

Introduction

This document presents an investment plan and financial sustainability strategy for promoting and guiding investments of transboundary significance in the Sio-Malaba-Malakisi (SMM) basin, shared by Kenya and Uganda. It updates the 2008 SMM Basin Investment and Development Strategy.

The SMM Basin Investment Plan and Financial Sustainability Strategy is addressed to the governments of Kenya and Uganda (at national and sub-national governments), public and private sector actors with interests in the SMM basin, the development co-operation community in Kenya and Uganda, as well as donors interested in promoting peace and cooperation, regional economic development, biodiversity conservation, and addressing the causes and consequence of climate change.

The SMM basin

The term “Sio-Malaba-Malakisi basin” does not describe a single hydrological basin but rather is an management label to refer to two adjacent sub-basins shared by Kenya and Uganda that display common geo-physical and socio-economic characteristics. Both the Sio sub-basin and the Malaba-Malakisi sub-basin are part of the Nile basin. The combined catchment area of the two sub-basins is 5,352 square kilometres (km²). The Sio River originates near Bungoma town in Kenya, flows along the common Kenya-Uganda border, and discharges into Lake Victoria. The Lwakhakha and Malakisi Rivers both originate in Mt. Elgon and join to form the Malaba River, which later joins the Mpologoma River. The climate of the SMM catchment area can be categorized as humid and sub-humid. A fairly dense dendritic network of rivers and streams drains the basin. The main land use is rain-fed subsistence agriculture. Water resources are relatively abundant in parts of the catchment but the catchment development potential remains unexploited.

The SMM basin is experiencing rapid population growth of about 3.2% per year, which would double population from 2.1 million in 2010 to 4 million in 2035. Human settlements are predominantly rural and characterised by poor sanitation facilities and inadequate solid waste management. Over 90% of households use fuelwood for cooking. Smallholder (subsistence) rain-fed agriculture constitutes the main economic activity in the basin, while irrigation is currently limited to some small scale rice and vegetable growing and a few rice field schemes. Fisheries are locally important but dwindling. There are episodes of loss of industrial production due to water shortage for hydropower generation. The basin includes a number of natural assets (such as lakes, rivers, forests, game reserves, hot springs, gorges, caves) that could be the basis for stronger tourism development. Flood events are likely to increase in frequency and severity due to climate change.



Transboundary cooperation in the SMM basin

Transboundary cooperation between Kenya and Uganda in the SMM basin has been covered by the Nile Basin initiative (NBI) management structures since 1999. In 2005, within the NELSAP framework, Kenya and Uganda, with financial support from Sweden and Norway, established the Sio-Malaba-Malakisi Integrated River Basin Management which has gone through three phases of funding and an extension. Building on this, since 2017 transboundary cooperation between Kenya and Uganda in the SMM basin has also taken place under the auspices of the Inter-Governmental Authority for Development (IGAD) and delivered the building blocks for the development of this investment plan and financial sustainability strategy. Since 2019, IUCN funded by the Swiss Development Cooperation has continued to support negotiations between Kenya and Uganda to establish a permanent institutional framework in the SMM basin. Until a permanent institutional framework is established, the revised MoU between Kenya and Uganda details the scope, objectives, guiding principles, commitments, institutional framework and implementation mechanisms agreed by Kenya and Uganda for the cooperative management and development of the SMM basin's shared water resources.

The SMM Investment Framework

The goal of the SMM Basin Investment Plan and Financial Sustainability Strategy is to contribute to achieving sustainable development in the SMM basin through cooperation between Kenya and Uganda and their basin communities on the equitable management, utilization, and benefit from, the shared SMM basin resources.

The objectives of the SMM Basin Investment Plan and Financial Sustainability Strategy are:

- to support the identification and preparation of projects with transboundary implications,
- to support the prioritization and sequencing of projects in the basin,
- to facilitate the mobilization of funding to implement projects in the basin,
- to support the implementation of projects in the basin by enhancing the monitoring and evaluation of their implementation,
- to ensure the financial sustainability of the SMM Institutional Framework and the SMM Investment Programme

Investments in the SMM basin should follow the following guiding principles:

- enhancement of bilateral cooperation under a river basin approach,
- sustainable management of the basin's natural resources under a water-food-energy-ecosystems nexus approach,
- stakeholder-inclusive benefit-enhancing approach,
- subsidiarity, and
- benefit and cost sharing.



Group photo during the second SMM stakeholders consultative workshop, Mbale, Uganda, May 2018 (photo credit: IUCN)

Investments in the SMM basin should be organised around the following strategic directions:

- promote socio-economic development and enhanced household incomes,
- enhance environmental sustainability and reduce environmental risks, and
- improve the management of the basin's natural resources.

The SMM basin decision-making structures will make use to the maximum extent possible of transparent and participatory approaches to build and prioritize the portfolio of SMM projects. This will be based on a methodology that combines: (1) the screening of project proposals for a minimum budget threshold and for compliance with environmental safeguards, (2) a rating of projects through a multi-criteria framework that considers transboundary significance, alignment with policy objectives, ease of implementation, and financial sustainability, and (3) an assessment of the long-term net benefits that they will deliver to the whole basin and across different categories of stakeholders.

The SMM Investment Programme

The SMM Investment Programme is a living document. The initial version of the SMM Investment Programme includes eight priority projects. More priority projects will be included over time. The eight priority projects have been selected after a process that included:

- mapping of existing project ideas, concepts and proposals that could potentially be included in the SMM Investment Programme – this resulted in a long list of 67 projects;
- screening and rating of the long list of 67 projects according to the methodology described in the SMM investment framework – this resulted in a short list of 12 projects;
- carrying out a participatory benefits opportunities assessment – which resulted in the prioritization of eight projects.

The SMM Investment Programme has grouped the eight priority projects in four clusters – of which two clusters correspond to the Malaba-Malakisi sub-basin and the other two clusters correspond to the Sio sub-basin. Some projects are included in more than one cluster. Clustering projects is expected to facilitate the development of an integrated approach in the two sub-basins, and to promote the development of a programmatic approach that should facilitate management coherence and reduce the implementation and monitoring burden. It is also expected to facilitate the contribution of individual development partners as well the coordination between different development partners.

The SMM Financial Sustainability Strategy

The goal of the SMM Financial Sustainability Strategy is to ensure that there is a clear and well-coordinated approach to ensure the financial suitability of efforts to achieve the equitable management, utilization, and benefit from, the shared SMM basin resources.



Group photo during the first SMM stakeholders consultative workshop, Kisumu, Kenya, May 2017 (photo credit: IUCN)

Table1. List of eight priority projects included in the SMM Investment Programme

Project	Estimated cost (preliminary)	Number of beneficiaries	Country	Included in cluster(s)
Malaba Irrigation	USD 2.2 million	32,800	Both	2
Eastern SMM Water Security and Development (six sub-catchment management plans – SCMPs)	USD 5.2 million	363,500	Kenya	1, 3, 4
Sio Sango Multipurpose Water Resources Development	USD 37 million + EIA/ESIA USD 4.5 million	28,398	Kenya	3, 4
Toloso SCMP (NELSAP)	USD 9 million	300,000	Kenya	2
Lwakhakha Hotspots	USD 0.8 million	121,000	Uganda	1, 2
Angololo Multipurpose Water Resources Development (NELSAP)	USD 44 million	12,000	Both	1
Sio-Siteko Community-Based Wetlands Management Sio (NELSAP)	USD 8 million	5,000	Both	4
Solid Waste Management Plans for Lwakhakha and Bungoma (NELSAP)	USD 9.2 million		Both	1, 2, 3

The objectives of the SMM Financial Sustainability Strategy are:

- to enhance the effectiveness and efficiency of financial resources allocated to the management and development of SMM basin's resources,
- to ensure the allocation of financial resources across priority needs,
- to increase resource mobilisation to ensure that priority projects are timely funded,
- to broaden the sources of funding,
- to improve the coordination of funders and funding efforts, and to improve the availability of financial information.

The SMM Financial Sustainability Strategy follows five principles: subsidiarity, complementarity, alignment, user/beneficiary pays, and polluter pays.

The SMM Financial Sustainability Strategy is organised around three pillars:

1. **Making the best use of existing financial resources.** This pillar focuses on ensuring a balanced mix of efforts in establishing and operating information systems, institutions and infrastructure. It includes 6 priority actions.
2. **Mobilising additional financial resources.** This pillar focuses on adopting a more structure approach to resource mobilisation that aims to progressively diversify the sources of funding, building on stronger capacities of the SMM Institutional Framework to effectively tap those funding sources. It includes 13 priority actions.
3. **Ensuring the financials sustainability of the SMM Institutional Framework.** This pillar emphasises the need for (a) a careful design of the emerging SMM Institutional Framework to avoid unrealistic expectations and costs; (b) the commitment of Kenya and Uganda to fully fund the associated costs for the SMM Institutional Framework to be operational at least at a basic level; and (c) the identification of the information and institutional development needs for the medium and long term and the potential funding sources. It includes 5 priority actions.

Implementation Arrangements

The SMM basin structures and partners will all have to carry out significant efforts to ensure the successful implementation of the SMM Basin Investment Plan and Financial Sustainability Strategy. The institutional framework proposed in the draft SMM MoU which is under negotiation and main text describes the specific roles for:

- SMM Ministerial Committee
- SMM Permanent Secretaries Committee
- SMM Technical Advisory Committee
- SMM Joint Working Group
- SMM Secretariat
- IGAD Secretariat
- NELSAP-CU, and
- Development partners.

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