


Chapter 9: Mobilizing Sustainable Financing



Key Questions

1. What are the key sources of funding for ILBM?
 2. How can funding be made sustainable?
 3. Is external funding necessary and/or sufficient?
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The Decision Maker's Complaint

- ▶ In almost all the LBMI cases, one constant concern was about securing sufficient financial resources.
- ▶ Some examples include:
 - “the Government has been suffering from acute shortages of resources and this has weakened the capacity of remaining extension staff to carry out its activities” Lake Nakuru Brief

The Decision Maker's Complaint

- “it is unclear how successful projects developed under the GEF project will continue to receive funding now that the (GEF) project is over” Lake Baikal Brief
- “lack of financial support in general and poor working conditions in particular make it hard for the preserve to function in any normal way” Lake Issyk-kul Brief
- “the assessment rates overall sustainability as unlikely. Staff incentives were reduced with a return to Government salaries. Malawi cannot provide sufficient budget to sustain the lake research program...” Lake Malawi/ Nyasa Brief


Source of Funding

- ▶ Money to pay for management activities can be found in three board sources of funds:
 - Local sources (including user fees and other locally generated revenues),
 - National level financial resources, and
 - International funding including both bi-lateral and multi-lateral funds

Locally Generated Funds

- ▶ These include either payment for services (e.g. user fees like drinking water charges or recreational charges) or fines for pollution (e.g. pollution charges like wastewater discharge fees).
 - These funds are collected from various groups and include
 - direct users of the lake resource such as fishermen,
 - those who benefit from the lake as a source of ecosystem services (e.g. various people who benefit from flood mitigation, improved water supply, or enhances amenity values)
 - groups whose activities pollute or harm the lake (e.g. industries or municipal wastewater disposal systems).

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Locally Generated Funds

- ▶ Benefits:

- In addition to creating a cause-effect link between the resource and those who use the resource, user fees and pollution charges also have the very attractive feature of helping to create local sources of financing, both in terms of collection and control.

Locally Generated Funds

▶ Problems:

- In many countries the legal framework states that all money collected from user fees have to go to the National Treasury, and money is the re-distributed and allocated based on certain principles
- Therefore, the lake basin managers may not be certain about how much of the locally collected revenue can be used for ILBM

National Funds

- ▶ Most lake management programs rely, entirely or in part, on financing from the national (or provincial/state) government
 - This comes either through sectoral ministry funding or via special appropriations for integrated lake management committees.


National Funds

- ▶ These funds can be a major source of money
 - but they are often insufficient in amount and
 - may not be sustainable over time
 - This is particularly true if the lake in question is remote or populated with a minority population group


National Funds

- ▶ One area where national funding may be both appropriate and essential is capital infrastructure investments.
 - These large, “lumpy” investments—for such things as wastewater treatment or major water supply projects—are rarely funded at the local level.

External Funds

- ▶ External aid is seen as a way around two important financing problems
 - first, increasing the amount of money/resources available, and
 - second, breaking the link between the sectoral ministry/source of funds and their use and allowing a wider variety of management issues to be tackled.
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External Funds

- ▶ External funding can be either from bilateral (country to country assistance) or multilateral sources (regional blocks like the European Community or United Nations agencies).
 - ▶ About half or more of lakes in the set of 28 lake briefs have some sort of external support.
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External Funds

- ▶ It allows decision makers to do more by expanding the financial “pie” and therefore helps pay for various new policies and investments
 - However, it may come with certain conditions or biases.
 - In addition, external funding is usually not sustainable over time.

Key Lessons

- ▶ Although international finance is attractive (it often comes as grants that do not have to be re-paid) international finance is also short-term and often targeted to specific issues.
 - Consequently decision makers need to develop both local and national level sources of funding.

Key Lessons

- ▶ Financing for capital infrastructure investments usually comes from the national level or from international resources
 - local level funding is an important source of money to help meet routine recurrent expenditures.

Key Lessons

- ▶ Financing for routine monitoring and lake scientific labs is particularly problematic
 - this is one area where external financing may play an important catalytic role but should not be relied upon for long term funding.

Key Lessons

- ▶ It is easier to levy local fees when the money stays in part in local coffers (to pay for current needs) and locals have a say over its use.

Key Lessons

- ▶ To ensure global benefits from lake projects, particularly in the case of international lakes, a programmatic approach is better than a project-by-project approach.
 - In order to sustainably provide global benefits, global action and close co-ordination among national management agencies is required.
 - This is one case where external funding may be necessary to implement the new management regime.
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Further Reading

- ▶ In addition to the main module 9 [report](#), additional information on financing lake basin management can be found in the following presentations
 - [Dixon](#) provides an in-depth look at the topic of locally-generated funds, namely user fees for the use of natural resources.
 - [Wang](#) examines the case of long-term financing for plateau lakes in Yunnan Province, southwest China.
 - [Santos-Borja3](#) details the history of the Lake Laguna Development Authority, the authority for Laguna de Bay, Philippines, and one of the key case studies in the LBMI project.