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Orange-Senqu River Basin Stewardship Learning Journey

Session 4 Mini-Report

10 March 2021

This report has been prepared by

DOMINIC MITCHELL & LUCI COELHO

+27 82 4580760

luci@realconsulting.co.za

real Consulting

Resource Economics Africa

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INTRODUCTION

This mini-report presents a description of the fourth of five sessions of the Orange-Senqu River Basin (OSB) Learning Journey, which was held online on 10 March 2021.

The OSB Learning Journey is a learning exchange that aims to bring key stakeholders from Lesotho and South Africa together to identify shared risks around water security and joint solutions to protect the natural resources and economic and social benefits stemming from the Orange-Senqu Basin for Lesotho and South Africa. The OSB Learning Journey is convened by GIZ NatuReS GIZ, ICM Lesotho and the Lesotho National ICU, and hosted under the auspices of ORASECOM.

The OSB Learning Journey constitutes the following five sessions:

Session 1: Understanding the Orange-Senqu Basin	Paint a clear understanding of the catchment from headwaters to users in Gauteng, including where it flows, how it is used and abused, how it is impacted on, including: ▪ Geo-physical/environmental profile – including risks, ecological infrastructure ▪ Different ecosystems along the catchment and their importance for water provision and mitigation for climate change as well as their close relationship with livelihood. ▪ Identification of interested parties. ▪ Socio-economic & macro-economic profile of the basin. ▪ Risks & Threats. Understanding water stewardship as a concept.
Session 2: The people of the OSB: users & custodians	The objectives of the second session are: ▪ To ensure stakeholders remain mindful of the threats & risks identified in joint session 1. ▪ To confirm the "layout" of the stakeholder landscape on the OSB and what the key interests of the major stakeholders are using a participatory matrix. ▪ To identify the interests and responsibilities of government, private sector, communities, and NGO/donors in respect of the main interests. ▪ Identify the benefits & challenges of trans-boundary &, multi-stakeholder cooperation.
Session 3: Catchment management lessons for learning.	The objectives of the third session are: ▪ Learn from catchment management lessons: (RWP/Resilim; Letseng; Sasol) ▪ Explore lessons learned from others in all aspects, such as trans-boundary co-operation; Stakeholder mobilization and involvement (govt, PS, & CS) + roles & responsibilities; Risk identification and management. ▪ Introduce to 10 x 10 and closing thoughts in preparation for S.4
Session 4: Exploring possible financing mechanisms	The objectives of the fourth session are: ▪ Learn about financing options from a portfolio of funding mechanisms, presented by fund experts from various agencies involved in integrated catchment management and water stewardship. ▪ Ascertain the interest from participants and prioritise what may be most appropriate to promote integrated catchment management across the OSB through a water stewardship approach
Session 5: Way Forward - How to protect the OS Basin?	The objectives of the fifth session are: ▪ Collaboratively develop a way forward to protect the OSB, drawing from all previous sessions. ▪ Identify potential projects of joint interest. ▪ Identify suitable institutional arrangements and platform to structure further engagements on collective responses

SESSION 4: EXPLORING POSSIBLE FINANCING MECHANISMS FOR APPLICATION IN THE OSB

The session was held online on 10 March 2021, and lasted two hours and 40 minutes. Stakeholders from Lesotho and South Africa were invited. The focus of the session was to examine a range of financing mechanisms that could be applicable to the OSB. The specific objectives of the session included the following:

- Learn about financing options from a portfolio of funding mechanisms, presented by fund experts from various agencies involved in integrated catchment management and water stewardship.
- Ascertain the interest from participants and prioritise what may be most appropriate to promote integrated catchment management across the OSB through a water stewardship approach.

Participants

Of the 49 people who participated in the second session[1] of the Learning Journey, 26 were from Lesotho (including GIZ staff), and 23 were from South Africa, (including GIZ staff). There was good representation from different sectors from both Lesotho and South Africa, as indicated in the table below:

LESOTHO STAKEHOLDER GROUPINGS	SOUTH AFRICAN STAKEHOLDER GROUPINGS
▪ EU Delegation ▪ GIZ ICM ▪ GOL Ministry of Agriculture ▪ GOL Ministry of Forestry, Range and Soil Conservation ▪ GOL Ministry of Water Affairs ▪ IFAD ▪ Lesotho Highlands Development Authority ▪ Lesotho Highlands Water Authority ▪ Lesotho Millennium Development Agency ▪ Liqhobong Mines ▪ Storm Mountain Diamonds ▪ UNDP	▪ Alliance for Water Stewardship ▪ DBSA ▪ Dept of Water & Sanitation (DWS) ▪ Eskom ▪ EU ▪ GIZ DeveloPP ▪ GIZ NatuReS ▪ Green Finance Institute ▪ IFAD ▪ Orasecom ▪ SASOL ▪ TCTA ▪ The Nature Conservancy ▪ WWF

Programme

The primary objective of this session[2] was to build on the previous three sessions and to learn from five financing mechanisms and one standard (the Alliance for Water Stewardship AWS) about options for different stakeholders to partner and contribute to the development of a shared mechanism that allows for long term water security for the Orange Senqu Basin. The diversity of approach presented highlights the multiple opportunities as well as incentives for the different stakeholders. In addition to learning about the different mechanisms, the workshop aimed to get a first-response interest from the learning Journey Participants to the different options, indicating which they felt was most appropriate to a potential intervention on the OSB. The

[1] An attendance register is attached as Appendix 1.

[2] The agenda is attached as Appendix 2

six mechanisms were selected for their relevance and potential in relation to the specific context of an OSB water stewardship initiative. The mechanisms presented were as follows:

- Louise Stafford, Program Director, The Nature Conservancy on the Water Fund.
- Graham Chingambu, Fund Manager, on the SADC Water Fund, DBSA.
- Dr Jeremy Gorelick, Head of Special Initiatives, Green Finance Institute on the Development Impact Bonds.
- Dr Mark Dent, Manager South Africa, on the Alliance for Water Stewardship.
- Oliver Kooker, Project Manager, GIZ on the DeveloPPP.
- Philipp Baumgartner, Country Director, IFAD on the Regeneration Opportunity Fund.

Introductory comments on the importance of financing mechanisms, Giuliana Branciforti, GIZ, Lesotho

Giuliana Branciforti introduced the session by making some comments on the importance of understanding the different options available in terms of financing mechanism together with their pros and cons and potential to maximise investments into the catchment. The right mechanism is crucial to the long term sustainability of the basin and the social and economic wealth of its countries. She made the following points:

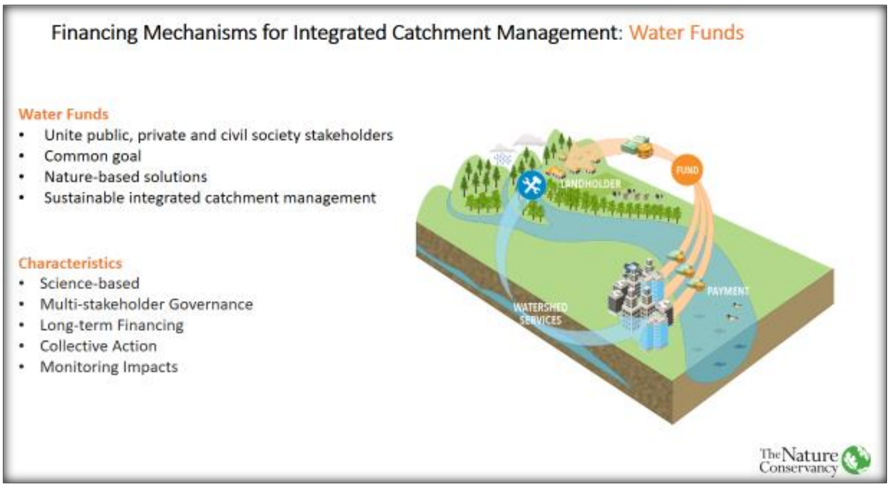
- What we are considering is linked to the Natural Resources Risk and Action Framework (NRAF), and at this point of the process, we are heading towards identifying commitments from stakeholders.
- We are aware that to try and identify commitment at this stage might be premature but none of the less we believe in making informed decision going forward for when we will look closely at commitments from the different stakeholders.
- Water provision is not cheap – water tariffs do not reflect all costs, especially green infrastructure, making it critical to find other ways of sustaining integrated catchment management.
- We need to innovate to bring a wider range of actors into securing sustainability of the OSB and in this regard the stewardship approach is useful.
- Actively mobilising the private sector in is critical, including leveraging in kind support from this sector and a major dialogue.
- Much is already being done in terms of the rehabilitation of the OSB, including through the treaty. However the ongoing efforts have not proven sufficient in ensuring the long term water security
- At this point we need to mobilise a coalition of partners from all sectors that are willing to cooperate in this endeavour and to do so we need to have solution seeking conversation to co-create a way forward.

Financing mechanisms and standards contributing to catchment management

The bulk of the workshop was dedicated to learning about the different financing mechanisms, and exploring some key questions that emerged in the ensuing discussion.

The Water Fund

Louise Stafford, Program Director of The Nature Conservancy spoke on the Water Fund. Using the following image as a reference, she provided a summary of the Water Fund mechanism:



- Is a Public Private partnership (PPP), bringing all stakeholders around common goals working upstream for the benefit of the whole catchment.
- Recognise that what is attractive to downstream users is a clear Rate of Return.
- Aims to bring capacity and knowledge for into the PPP for collective action.
- Is committed to long-term investment for sustainability.
- Combination of funding is important.
- Is committed to scaled efforts in order to turn tide on water security.
- Recognises that buy-in from all states and actors is key. One big learning from Okavango Basin is that there needs to be full agreement from member states
- While the focus is mainly on water security, it is important to encourage many associated benefits on biodiversity protection.
- Science and hard facts are necessary component of an application - quantify costs accurately, specify long-term investment requirements. However, there is a limitation as it is difficult to raise funds for science because results are not immediate. Doing scientific/ measurable analyses upfront helps governments and beneficiaries understand high expenses, and how to meet demands cost effectively and efficiently.
- The fund is highly managed: Monitor impacts, transparency, to achieve targets as specified in the intervention design.
- Money can come from rates, water user associations, etc.
- Need to know who will pay for the work post the funding period.
- There is a toolbox and support mechanism to build capacity of Lesotho-based water network to champion the Water Fund.

In response to a question about the difference between the Water Fund and the concept of Payment for Ecosystem Services, Louise Stafford indicated that:

- The differences are that PES is paying landowners to protect their land so it can provide services needed - money goes to owners, whereas the water fund is targeted at large-scale multi- stakeholder groupings. PES is less management and monitoring intensive as the work carried out by landowners.
- Similarities between the two are that they are both voluntary, and both aimed at ecosystem restoration for functionality
- With the Water Fund, all stakeholders get the benefit hence less cost effective, but has this appeal.
- Both products can work well together for increased impact.

In response to a question regarding the most important guidelines or lessons learned about programme financing that would be useful to the cross-boundary efforts to set up a joint stewardship platform to ensure integrated management across the Orange-Senqu Basin, the suggestions included:

- Each Water Fund is different - the golden thread is the value offering of all of them. Therefore it is important to be familiar with each product.
- It is critical to know what will change if we want sectors to pay for restoration activities - need to quantify, and use evidence/science-based data.
- It is essential to understand the resource properly from source to sea: lifespan, threats, risks, value, etc.
- It is useful to understand that stakeholders operate with different systems. For example, the private sector has systems for governance that are different to government; government practices in respect of transactions are different and constrained by their particular governance framework.
- It costs money to run the Water Fund – endowments and upstream interventions can assist with this.

Additional information about TNC Water Fund

Water fund toolbox: https://waterfundstoolbox.org/

Work in the Okavango basin: https://www.nature.org/en-us/about-us/where-we-work/africa/stories-in-africa/okavango-basin--protecting-africa-s-seasonal-oasis--/

Upper Tana Nairobi Water Fund: https://www.nature.org/en-us/about-us/where-we-work/africa/stories-in-africa/nairobi-water-fund/

Greater Cape Town Water Fund: https://www.nature.org/en-us/about-us/where-we-work/africa/south-africa/

https://www.nature.org/content/dam/tnc/nature/en/documents/GCTWF-Business-Case-April-2019.pdf

The Decision Support System:

https://public.tableau.com/profile/waterfunds#!/

SADC Water Fund

Graham Chingambu (DBSA) and Rudolf du Plessis (KfW) presented the SADC Water Fund managed by DBSA and GIZ.

- The SADC Water Fund was established by SADC for leveraging finance for water infrastructure and basic sanitation, as a blended financing instruments to promote grey and green infrastructure, on the basis that one cannot really “divorce grey infrastructure from the green”. Always attempt to embed green infrastructure development into grey infrastructure projects.
- From the fund perspective around trying to contribute and lead the approach to address the delta cap in respect of water resource management.
- The focus is on trans-boundary work, especially in towns along catchment to build resilience.
- Fund establishment and operationalization is supported by KfW who provided seed funding and implemented by DBSA, who provides institutional capacity. The partnership is strategic as fund mechanisms are enhanced in this way. DBSA already funds water infrastructure development, therefore this partnership enables an increase in support for integrated catchment water management.
- Working on building blended financing instruments that can promote support for infrastructure development in a way that combines grey and green infrastructure.
- The value of gathering reliable and accurate data about catchments is recognised, as is the monitoring of water resources to support interventions on grey and green infrastructure.

In relation to a question about the DBSA’s vision with regard to a green investment, specifically with regard to catchment rehabilitation/management), Graham Chingambu responded as follows:

- The SADC Water Fund focus is on sustainable use of water resources, therefore DBSA will ensure that the infrastructure they are financing is resilient and efficient and enables protection of water resources.
- An example of a grey and green intervention supported by the fund is a trans-boundary aquifer rehabilitation project.
- In addition to water security, the fund aims to also promote a regional approach to improve livelihoods, using the nexus approach, therefore interventions must not short-circuit a long term view.

In relation to a further question about the potential relationship between DBSA SADC Water Fund and other funds such as the Global Environment Facility (GEF) mechanisms, both Rudolf du Plessis and Graham Chingambu responded referencing the relationship between the SADC water Fund and the Project Preparation Facility (PPF), working collaboratively to develop a pipeline of projects. Emphasis was placed on the linkage between project preparation and project investment.

Graham Chingambu indicated that there was potential to pool with some of GEF projects to ensure consistency in objectives by influencing design in a way that both grey and green infrastructure development I incorporated in project design. The private sector can intersect with the Water Fund by collaborating in projects that support their interests through Financial or other contributions.

Regarding who can apply to the fund, some key criteria include:

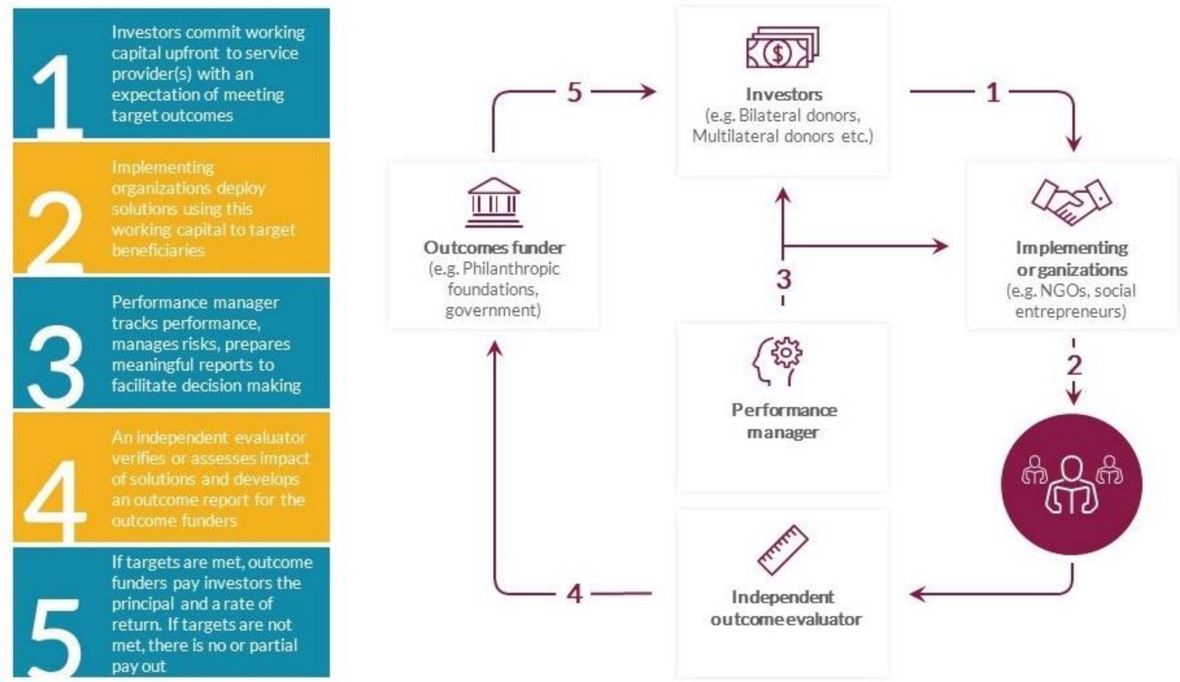
> **SADC Water Fund**
>
> Article 26A of the 2001 Agreement Amending the Treaty of the Southern African Development Community (SADC) provides for the establishment of a special fund of SADC to be known as the SADC Regional (infrastructure) Development Fund (RDF), which shall be the main instrument of SADC for the social and economic development and integration of the SADC region.
>
> SADC envisaged that sectoral financing instruments will be set up to become special "financing windows" under the RDF. SADC Member States thus mandated the SADC Secretariat to establish the SADC Regional Fund for Water Infrastructure and Basic Sanitation (the SADC Water Fund), as the key financing facility for the development and integration of the water sector in the region. This Fund will become a special "water sector financing window" of the SADC RDF.
>
> The Development Bank of Southern Africa (DBSA) has been appointed as the Project Executing Agency to implement the start-up phase of the Fund. For this phase, a financial contribution of 10 million EUR has been made available by the German Development Bank (Kreditanstalt für Wiederaufbau (KfW)).
>
> *Objectives of the fund*
>
> a) To strength the coordinating function of SADC in Water Sector funding;
>
> b) To create an instrument to channel International Cooperating Partners (IPCs) contributions to the SADC Water Sector; and
>
> c) To improve the regional water infrastructure.
>
> https://www.sadc.int/opportunities/sadc-water-fund/

- Applications assessed on a case by case basis, with preference for projects that are close to investment sites.
- Grants disbursed through the funding windows are managed by DBSA.
- The SADC Water Fund focuses on a range of activities from "investments in regional physical infrastructure for water supply and basic sanitation or mitigation of climate change impacts, consultancy services for the delivery of implementation-ready projects; and complementary or necessary micro studies for the completion of the preparation of the feasibility of the submitted project. Such studies may include environmental and social impact assessment, regional impact assessment, etc" (https://www.sadc.int/opportunities/sadc-water-fund/).
- There needs to be a strong national commitment in both project preparation and project investment, as the applicants come from a country perspective. From the KfW side, Rudolf du Plessis was asked what type of financing mechanisms KfW is looking at promoting/adopting to ensure the longer terms sustainability of the SADC water funds. He indicated that KwF's aim is to develop a strategy to describe options for long term sustainability. They also encourage participating countries to add their own funding, and the private sector to fund loans into the fund portfolio that could be on-lended to implementing agencies. Hope to widen scope to include various instruments.

Asked what potential exists between the existing SADC Water Fund and other financing mechanisms implemented in national or cross-boundary contexts, Rudolf du Plessis noted that KfW is also working on a SADC project preparation facility to create a pipeline of bankable water projects. He reminded the workshop that it is key to provide linkage and alignment between funds and project development. He went on to note that there are various financial mechanisms and that there is a strong case for a coalition of funding instruments, in an effort to bring debts together to bear on investments.

Development Impact Bonds

Speaking about Development Impact Bonds (DIBs), Dr Jeremy Gorelick, Head of Special Initiatives, Green Finance Institute, referred to a summary diagram.



He made a number of points, including the following:

- The DIB is reasonably straight forward and is a combination for private sector funds to meld with public sector funds.
- It is attractive as it shares the burden between numbers of actors. Players can have specific agenda but may lack funds.
- It is effectively a mechanism based on an agreement between beneficiaries, the public sector and the private sector whereby the private sector makes the initial investment on the basis that they will reap a benefit later on, when the goals of the intervention are realised. In this way the investment represents not only the principle but also the added value of the eventual return on the investment.
- What is novel and what make this mechanism attractive is the potential of a return on investments if targets are achieved (see point 5 in the picture) whereby initial investors get reimbursement for initial investment.
- It has been tried in various counties in different areas successfully including the United Kingdom, Ghana and Cambodia.

In respect of some of the areas where DIBs are used, Dr Jeremy Gorelick noted that they are exploring with GIZ in Zambia on water resource management. In this case heavy users of water such as Coca Cola, who are worried about water quality especially from upstream, see their involvement not as a social responsibility project but rather as a budgeted avoided expense. In this way, the accountability of the private sector in respect of their own interests is increased.

In response to the question about what preconditions are necessary to use a mechanism such as the Development Impact Bonds and which circumstances would they be most useful, Dr Jeremy Gorelick noted that there is a move to begin narrowing areas of collaboration. It is important to identify who the outcome payer would be. Investors at the front end are looking at it from an investment perspective looking for Return on Investment. If outcome payer is not fully invested with top management buy-in, then one would need a guaranteed offtaker, who will want to be confident of results. This means that applicants need to be specific, use evidence-based and quantifiable data in formulating the application.

In answer to what incentives DIBs offer to the private sector and government, Dr Goreleck noted the direct cost-saving leading to improved business practices. DIBs benefit the private sector beneficiaries as they are not participating in the implementation themselves, but are assured that aid agencies or public sector are securing cost recovery down the line.

Asked what the difference between Development Impact Bonds and the Water Fund is and whether they complement one another, Dr Goreleck pointed out that DIBs refer to a refinance institution to support domestic and international interests including nature-based solutions. The capitalisation of a fund needs to come from variety of sources. No private sector will invest unless funds can come back out. There is a clear distinction between voluntary Corporate Social Responsibility contributions and DIBs in relation to the reasons for contribution: With DIBs investors need to understand that the intervention is a cost-saving mechanism, not a donation.

Additional information

https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/development-impact-bond/

https://idronline.org/idr-explains-development-impact-bonds/n

https://www.sdfinance.undp.org/content/sdfinance/en/home/solutions/social-development-impact-bonds.html

DeveloPPP

Oliver Kooker, GIZ/DeveloPPP Project Manager, spoke about the DeveloPP mechanism, using the following diagram summary.

developPPP.de		
	Small-Scale Project	Large-Scale Project
Partner companies	German, European and local companies (OECD/DAC-List)	
Minimum criteria	▪ 8 employees ▪ € 800,000 annual turnover ▪ 2 audited financial statements	
Duration	max. three years	
Financing	min. € 100,000 - max. € 200,000 public contribution; GIZ ≤ max. 50%	min. € 200,001 - max. € 2 million public contribution; GIZ ≤ max. 50%
Participation	ideas competition (deadline for applications at the end of each quarter); advice by GIZ	
Type of Contract	implementation contract or cooperation agreement	cooperation agreement

According to Oliver Kooker, the DeveloPPP:

- Is an instrument based on developing partnerships with the private sector in such a way that the instruments tops up private sector contributions by matching it to upscale the impact
- It is not based on any sectors, but is rather a demand oriented mechanism - ideas competition for good ideas, with a call every three months.
- It is based on partnerships as collaborations on equal terms.
- Can include introducing new technologies, with associated capacity building.

- Three year maximum timeframe, where subsequent scaling up is possible to extend projects.
- Application values can range from €100000 to €2million.
- Can give opportunities for mechanisms on sectorial level for PPP support to improve livelihoods for target groups.
- There are minimum requirements criteria:
    - There needs to be a private sector partner, who contributes equally, i.e. at least a 50% from private sector partner to match fund contribution.
    - Private partner needs to have at least 8 employees.
    - Have an annual turnover of €800 000.
    - Have operated for two financial years, with audited statements.
    - Can be other private partners in addition to primary “applicant”, that can align on the side.
    - Can include a third non-private partner, which arrangement can be very beneficial.

In response to the question as to the timeframe associated with the DeveloPPP programme, Oliver Kooker responded that it was not at all suitable for short term, as experience had proved that it already takes between six to nine months just to reach the point of sign-off on a DeveloPPP. He went on to say they were not sure if a three-year timeline is sufficient with water stewardship, but indicated that it was possible to pitch a smaller scale project for a three year timeframe, and then re-apply based on success for a follow-up to get to six years or longer.

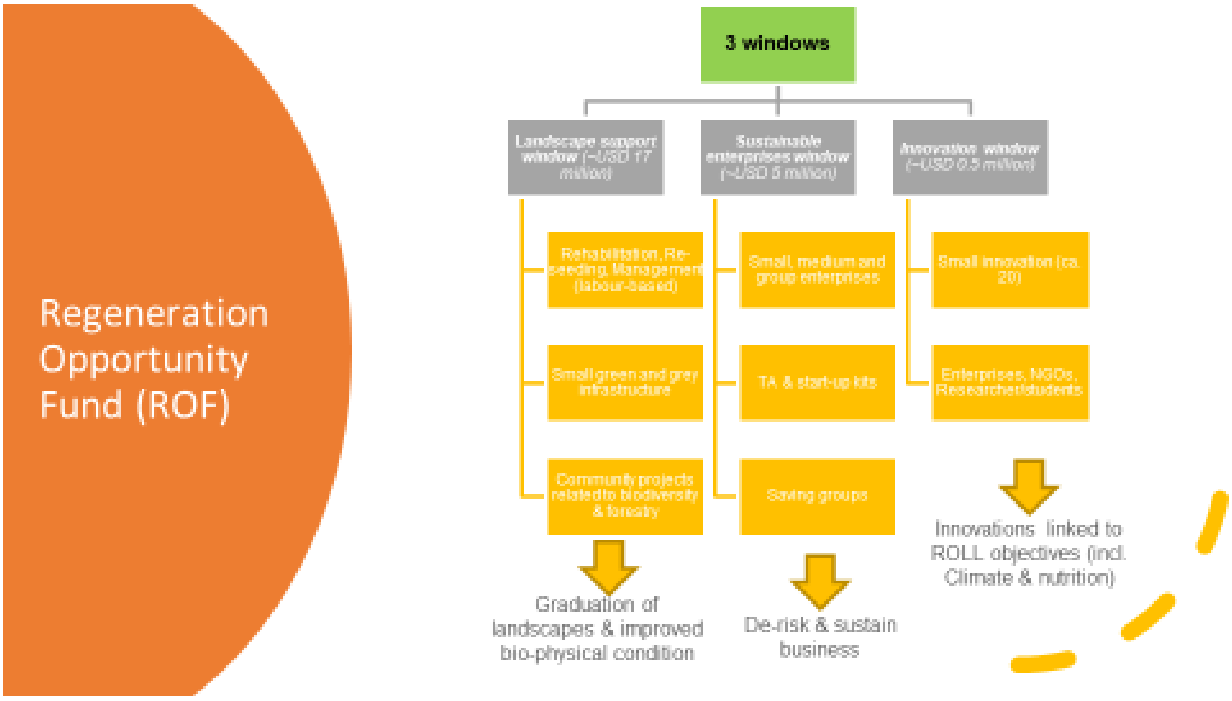
Asked if it was possible for the Private Sector use CSR money as their contribution, the answer was that DeveloPPP does not mind where the 50% contribution comes from but other criteria have to be set for the collaboration. The main point is for applicants to realise that the fund cannot be used to invest in the core business of the private sector entity but in activities that constitute a public benefit. It is always possible to combine business interests with public benefit. Oliver Kooker went on to reiterate that the object of the fund is not to support once-off unsustainable contributions hence the need to tie resources to the business interests of the investor partner.

Additional information

https://www.developpp.de/en/

Regeneration Opportunity Fund

Philipp Baumgartner, Country Director, IFAD, spoke about the new Regeneration Opportunity Fund. He noted that although IFAD was primarily working in the field of agriculture, this naturally has involved water activities. He noted that IFAD is part of the UN “family” and works with and through country governments. Recently interested in innovative financial mechanisms, using lending and grant mechanisms more strategically. The Regeneration Opportunity Fund (ROF) is one such example. Philipp Baumgartner noted that it was crucial to the finalisation of this mechanism to seek input from the participants of the Learning Journey.



Philipp Baumgartner went on to explain that the Regeneration Opportunity Fund (ROF) is at an advanced stage but is not yet finalised yet but would be in the next year and would run for the next six years. The fund has a long term view of operation. At the moment, in Lesotho, it is oprating as part of bigger arrangement with the Government of Lesotho (GOL), linked to OPEC fund, GEF and other funds and therefore has been able to mobilise start capital of $65m. The programme is led by the Ministries of Forestry, in partnership with others key ministries such as Water, Agriculture, Environment, as well as Local Government. So far the support for the project from Lesotho's senior officials is strong.

The objective of the ROF is:

- To reduce biophysical degradation, which is seen as a consequence of inadequate management of resources and poverty impacts.
- Improve livelihoods.
- Increase social capital in respect of the environment.

The aim is to mobilise funds from various actors in different ways including innovative mechanisms such as carbon offsets through wetland rehabilitation. It is noted that the fund is geared towards building ownership.

The ROF will have three windows, each focused on a different sector: 1. Community and labour based; 2. Livelihoods development; 3. Innovation using evidence and science-based data, for example biofuel.

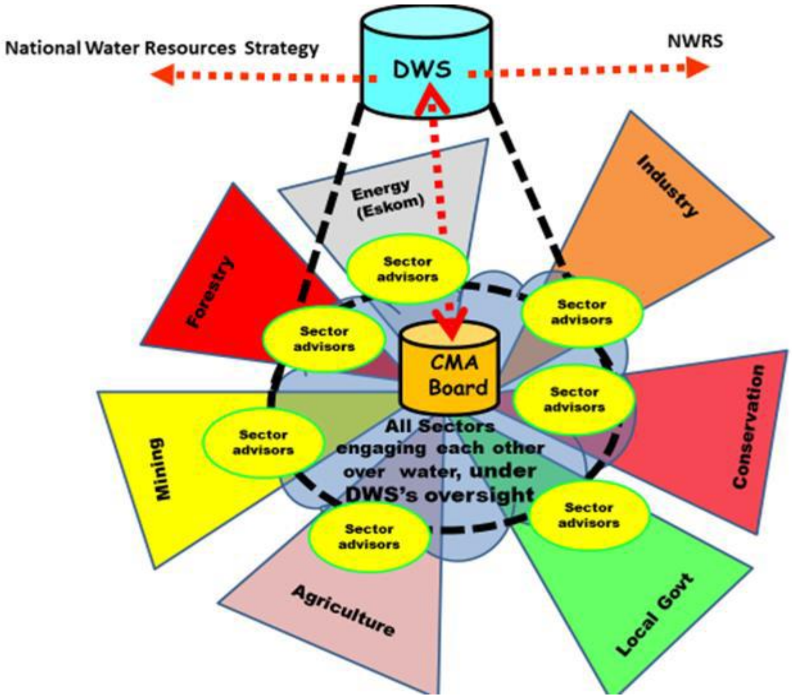
Asked how the ROF can leverage and incentivize finances from the private sector (SMEs/Medium and Larger companies), Philipp Baumgartner replied that such details had not yet been finalised and any advice would be welcome. He noted that there is a significant private sector in Lesotho, even if it is in just a few sectors, and a significant group in South Africa, including private and public entities such as the City of Johannesburg, utilities like rand water and multiple private sector companies. He went on to say that the tariff structure between South Africa and Lesotho could be looked at but this has some inherent challenges.

Additional information

https://www.ifad.org/en/

Alliance for Water Stewardship

Dr Mark Dent, Alliance for Water Stewardship Manager South Africa, spoke about the work of the Alliance for Water Stewardship Standard in relation to what could be done with a multi-stakeholder trans-boundary platform on the OSB, referencing the following diagram in his presentation. He noted that the diagram should be understood through a water stewardship lens.



Dr Mark Dent informed all that AWS is a diverse global alliance of private, public and civil society interests, and that the organisation is committed to igniting global leadership for Water Stewardship. AWS has a standard to guide private sector towards measurable water stewardship actions beyond the fence lines of their businesses. In respect of devising water stewardship interventions, he put forward the following advisories:

- It is important to promote *value* of water, which is not the same as the *cost* of water.
- Often it is the value which is at risk.
- There are lessons to be drawn from existing catchment management governance examples in South Africa.
- All sectors engaging one another is key, and government oversight must be linked to strategies and planning.
- From leadership to grassroots, an inclusive process of collective and shared action should be developed
- It is important to have credible advisors.
- If well organised the sky is the limit.

In response to a question about what role, excluding finance, the private sector companies can play in trans-boundary, multi-stakeholder engagements to build water related security and resilience, Dr Dent had the following suggestions:

- It should be understood that any multi-stakeholders engagement is like a business – stakeholders doing their own work according to own business systems and practices. This needs to be factored into operational design and implementation.
- With multi-stakeholder initiatives, it is important to have one set of accounts - whole systems thinking is key.

- Self-regulation is crucial and should be built into the initiative from the start. This requires transparency and sharing of information.
- With the private sector engaging from the basis of interests rather than rights will yield better results.
- It is important that all stakeholders know the difference between the value of water and the cost and price of water.
- All businesses have relationships with suppliers and customers that extend beyond the fence line. Generic elements of these relationships are the same as what should apply between sites and other business, government & civil society actors in the catchment.
- Promote beyond fence line activities (which are no different from many other collective action efforts undertaken by businesses).
- Need economies of scale and critical mass of many actors working in concert. The NBI and Banking Association of South Africa are good examples. SWPN is growing towards such a collective competency.
- Finance and insurance sector working in concert, systemically could make huge difference in attending to water related risk issues.
- Models, predictions, scenarios all help better planning and accountability.
- Practice drills for emergency events can be simulated by models. Multiple actors can thus practice their responses in safe learning environment - helps build resilience thinking.

Discussion

Following the presentations, the floor was opened for questions and discussion. A number of points were raised that are relevant to planning a way forward for water stewardship on the Orange-Senqu Basin. These are recorded for reference as follows:

- There is a treaty between South Africa and Lesotho in place that regulates water related financial flows between Lesotho and South Africa. It is important to look at what is already in place and leverage associated opportunities.
- Water users do not pay tariffs that cover costs. There needs to be a way of addressing this. Need to include all costs in tariff structuring - hard and ecological.
- Discussions that have happened suggest it is important look more closely at the Lesotho and Caledon system as well as water dependency on farmers. Commercial farmers in South Africa are bug water users however their water consumption is tariffed as bulks thus reducing any incentives for this community to be involved in Stewardship initiatives or improve the sustainability of their water consumptions
- It is important to link financing and governance capacity - need to invest in local governance capacity within the local catchment. For example, if tariffs are raised, there is no certainty that there will be improvement in raising and tracing. The question is how to ensure proper governance?
- There are a number of existing projects from which to learn.
- Need innovative ways to mobilise all the role-players including farmers.
- Need for science-based, evidential foundation for quantifying and justifying outcomes to work out business cases and potential savings and ROI's so that interventions can be taken to stakeholders with confidence - need data, investigation, justification, etc
- Strong opportunity for mutual learning about engagement with government departments to explore how to align strategies, water risk filters – WWF can share learnings between this work and the OSB.[3]

[3] http://awsassets.wwf.org.za/downloads/wwf_water_source_partnerships_web_pdf_2019.pdf

- For the private sector be prepared to make bigger/long term contributions to water stewardship initiatives, the interest needs to be from a direct supply perspective. The private sector would likely be keen on an initiative that can support continuation of supply of water – it must also make business sense.
- It is important to note that large private sector users are relatively small users in the bigger picture.
- Question to finance mechanisms: how to coordinate an approach? Who should make the application? Who will do pre-feasibility assessment to develop the business case? How to get other similar entities to participate in a collaborative large-scale intervention?
- Project establishment needs to draw on work that has already been done – It is logical to preserve institutional memory from existing projects and collate information for multiple benefit - this is cost effective, need to be strategic about project establishment. SWPN may be well-placed to take this up.
- Jeremy Gorelick noted that the Lusaka water stewardship initiative example is a useful reference point, especially regarding how to go about structuring for capitalisation: Coca Cola and AB inBev are interested in high quality water therefore will be likely to partner. A proportion of revenue that goes into a debt instrument SPV is a partnership that goes to the market to hunt for finance. Contribution is into a secretariat who will carry out the project prep and finance seeking.
- Community-based applications, especially in context of Lesotho, are possible. For these to succeed, it is important to build local capacity. Philipp Baumgartner noted that communities can apply to the ROF as a coalition/group for investment in community-based work, building livelihoods and ecological work. He noted that the current offering is initially limited but they hope to expand as the mechanism becomes better resourced.

Closing comments

In closing the workshop Giuliana Branciforti reminded the participants that the process is contextualised in the NRAF, and invited all to attend the last session, which will more clearly chart a way forward based on the insights and information gathered in the Learning Journey sessions to date. The session will aim to:

- Collaboratively develop a way forward to protect the OSB, drawing from all previous sessions.
- Identify potential projects of joint interest.
- Identify suitable institutional arrangements and platform to structure further engagements on collective responses.