

Financing for River Basin Organisations to Operationalise the WEFE Nexus in Transboundary River Basins Through the European Union (EU)

Insights From the Senegal, Zambezi, & Danube River Basins

ABSTRACT

River Basin Organisations (RBOs) play a key role in implementing **the Water-Energy-Food-Ecosystems (WEFE) Nexus** and mobilising finance for its execution within transboundary river basins. Based on 12 interviews, a literature review and insights from the **Senegal, Zambezi, and Danube River Basins** — case studies in the Horizon 2020 project GoNEXUS — this policy brief examines financing mechanisms, available funding and associated challenges, and provides strategic recommendations to enhance WEFE Nexus financing provided through the EU and other donors.

KEY MESSAGES



Rather than being an end in itself, the WEFE Nexus serves as a valuable — though not exclusive — **framework for implementing cross-sectoral approaches to ensure sustainable water management.**



Substantial donor investments in recent years have propelled WEFE Nexus initiatives across Africa and elsewhere, with the EU being one of the largest donors.



However, **studies highlight that cross-sectoral approaches remain absent from most water resources decisions** in transboundary river basins, and even when implemented, the majority fail to incorporate ecosystems.



The approach offers financial advantages through optimised financing, policy harmonisation, and access to unique funding sources, though its financing faces challenges including high perceived risks and limitations in RBO mandates.



The outcome of future EU action should be **basin governments and private-sector actors progressively investing in cross-sectoral approaches** to water management, ultimately reducing reliance on EU project funding.



RECOMMENDATIONS

- **Increase funding options specifically for multi-sector projects and transboundary water cooperation** generally as RBOs remain largely reliant on member contributions despite emerging finance mechanisms.
- **Support sectoral financing mechanisms that can accommodate multi-sectoral projects and support innovations to improve access to private funding** for transboundary Nexus projects, which remains rare.
- **Expand capacity building for RBOs in funding mobilisation and finance basics** through training, tools and guidance, as well as **connecting them with financiers** through targeted events.
- Promote the **creation of specialised multi-sectoral expertise and teams within financing institutions** to supervise cross-sectoral projects for RBOs and other basin actors.
- Support RBOs and other basin actors **de-risking multi-sector projects perceived by investors as high risk** through risk management, leveraging blended finance and incorporating climate resilience in project designs.
- **Synthesise compelling evidence on the economic viability and impacts of Nexus projects**, currently perceived as small-scale and high risk, through a stocktaking study. Focus particularly on less bankable components such as ecosystems, and support RBOs and basin actors in communicating these benefits.
- **Ensure coherent basin-wide policy frameworks** — the basis for cross-border benefit sharing and a stable investment environment — that anchor cross-sectoral approaches while leveraging the WEFE Nexus to align sectoral policies, strategies and investment plans.
- **Reform structural water-sector finance issues** by realigning subsidies, fees, and funding priorities — especially shift focus away from WASH and infrastructure to prioritise integrated approaches and Nature-based Solutions (NbS).

FINANCING THE WEFE NEXUS IN TRANSBOUNDARY RIVER BASINS

Many RBOs of shared rivers are chronically underfunded and unable to cover the minimum costs for a secretariat or staff. Establishing a Nexus approach in water resources development and management adds additional workload and expenses. The riparian countries typically bear the core costs of RBOs as **water management is considered a fundamental public responsibility**. Cross-border water cooperation can only be effective if governments politically and financially support it, fostering genuine ownership and commitment. This is why the International Commission for the Protection of the Danube River (ICPDR) deliberately chose to rely almost exclusively on financial and non-financial member contributions. The situation is different in the Global South, where RBOs, including the Zambezi Watercourse Commission (ZAMCOM) and Senegal River Basin Development Organisation (OMVS), are largely funded through foreign and Western donors who, in turn, have been the primary funders of the WEFE Nexus approach that originated in the West.

RBOs have access to a wide range of public and private financing options to support WEFE Nexus activities.

A recent study by GIZ (2023) shows that existing funding instruments — including the Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund or African Water Facility (AWF) — mostly offer debt, equity, grants, risk mitigation instruments, and technical assistance. **Grants and concessional loans are the most common types of funding** offered, amounting to 56% and 41% respectively, followed by technical assistance with 38% and equity with 35%. **Private-sector funding is receiving much attention**, but investments in transboundary basins remain low so far, reflecting global trends for the water sector at large (<2%). A range of innovative funding types are emerging, including specialty bonds used within impact investing.

The institutional structure and mandate of RBOs significantly influence the accessibility of finance — and

the ability to undertake WEFE Nexus activities proactively at all. The ICPDR, for example, has a very limited mandate largely constrained to coordinating activities while water management actions are implemented through working groups composed of member state representatives. This implies that the ICPDR has limited capacity and financial resources to implement projects or hire consultants to support WEFE Nexus implementation. Conversely, the OMVS and ZAMCOM have much wider implementation competencies to execute river basin development activities and procure project funding. Consequently, implementation-focused RBOs can play a more proactive role in the operationalisation of the WEFE Nexus, while coordination-focused RBOs primarily facilitate cooperation between countries as they lack the mandate to directly implement action.

THE STATE & TRENDS OF EU FINANCING FOR THE WEF NEXUS

The EU's international water-related strategies highlight the WEF Nexus as an important tool for water management, as reflected in the 2013/2018 EU Council Conclusions on Water Diplomacy. Although **metrics on EU funding for WEF Nexus activities in transboundary river basins are not public**, EU institutions including the Directorate-General for International Partnerships (DG INPTA), the European Investment Bank (EIB) and the Joint Research Centre (JRC) fund and **support the approach through numerous initiatives and projects**, including in the Senegal, Zambezi, and Danube River Basins. The EU and Germany through the German Agency for International Cooperation (GIZ) lead WEF Nexus support in Africa while the United Nations Economic Commission for Europe (UNECE) and Global Water Partnership are significant global actors. Notably, the EU applies cross-sectoral approaches in the Danube Basin, not through dedicated Nexus funding, but implicitly through **the Water Framework Directive, which promotes integrated and cross-sectoral management**.

The EU finances WEF Nexus work in Africa mainly through projects by the Directorates General International Partnerships and Environment, research-related activities by the EU's Joint Research Centre, and Horizon Europe projects (i.e., GoNEXUS). The Nexus Regional Dialogues (NRD) Programme (2016-2023) — co-financed by the EU and aimed at institutionalising the approach in governance structures and investment decisions — stands as one of the most significant funding programmes for the WEF(E)¹ Nexus. The EU also supports RBOs in some African river basins, including ZAMCOM and OMVS, as well as other actors organising water-relevant activities in these basins (e.g., research institutes and universities, and NGOs, which WEF Nexus work builds upon and depends on).

Although the NRD ended, marking a potential decline in donor support for the WEF Nexus in the Global South, there have been new activities. The EU is in the process of setting up a secretariat for its transboundary water cooperation activities in Africa as part of the [Team Europe Initiative on Transboundary Water Management in Africa \(TEI-TWM\)](#). With a preliminary budget of 404.53 million euros for the entire project period, the initiative represents a significant investment into transboundary waters in Africa. Strengthening the WEF Nexus will be among the objectives of TEI-TWM Africa. While some TEI-TWM Africa WEF Nexus projects have been announced, for example in the Niger Basin, none have been revealed for the Zambezi and Senegal Basins. Meanwhile, the Global Environment Facility (GEF) has just tendered a [project](#) to help ZAMCOM further institutionalise the WEF Nexus planning and management.

¹ The NRD programme focused largely on the WEF Nexus, neglecting ecosystems.

CHALLENGES, OPPORTUNITIES & RECOMMENDATIONS



1 FINANCE & FUNDING OPPORTUNITIES

While there are growing opportunities to diversify funding sources for water projects, these options are often difficult for RBOs to access and present unique challenges for transboundary WEFE Nexus projects. In the short term, RBOs in shared basins are likely to remain reliant on member contributions.

- **The Nexus approach offers new financing opportunities to RBOs, such as financing water activities as part of energy or agricultural projects.** The approach can also lead to additional investment opportunities by aligning national and sectoral priorities, bringing with it the potential to mobilise private and blended finance and boost financing opportunities for water management or ecosystems through multi-sectoral projects financed by the agriculture or energy sectors. International Financial Institutions (IFI) are increasingly interested in financing cross-sectoral projects, while stand-alone water projects tend to receive less attention. [According to UNECE](#), this potential is largely untapped in transboundary basins. Additionally, [a 2024 report by OECD](#) highlights that many African governments fail to fully utilise their water budgets, despite significant underinvestment in water infrastructure and services.
- **Despite growing funding opportunities for the WEFE Nexus, most funds target individual water, energy, or food projects so far, with energy dominating investments.** Overall funding for the water sector, particularly transboundary water cooperation initiatives, remains significantly insufficient. According to a [2023 analysis published by GIZ](#), there is variety of funds that support Nexus projects, of which some explicitly support cross-sectoral approaches, such as the [GEFs International Waters Focal Area](#). However, only around 40% of financing instruments focus on at least three sectors while ecosystems appear to be significantly underrepresented. Projects and activities of the NRD programme and early Nexus activities generally, as aforementioned, focused on the WEF sectors. Moreover, many funds appear to have a narrow sectoral focus and do not allow for including other sectors' objectives, as government ministries and development agencies operate in silos, with separate budgets, expertise, and priorities, limiting cross-sector integration. At the same time, it is crucial to acknowledge that many Nexus projects may already exist, even if they are not explicitly identified or documented as such.
- **Emerging innovative funding mechanisms can allow RBOs to diversify funding sources.** As of now, the potential for RBOs to access these mechanisms should not be overestimated. Social and green bonds are in the early development stages, while private investments are largely confined to infrastructure projects, excluding most of the non-revenue generating activities of RBOs. Climate funding is on the rise and available in large quantities, with some options suitable for WEFE projects (e.g. the Green Climate Fund or Adaptation Fund), but RBOs struggle to procure climate finance, let alone for transboundary Nexus projects.
- **A 2023 UNECE report states that the new funding types, as well as the more common traditional ones such as grants and loans, can help RBOs to diversify funding sources but will not enable them to close the funding gap for transboundary water cooperation, and this may largely apply to WEFE Nexus activities as well.** RBOs will rely on chronically scarce public funding in the form of member contributions. Furthermore, every funding source is accompanied by specific constraints that RBOs need to address (such as narrow funding purposes or confinements regarding the legal entity of an organisation). Recent cuts to aid budgets across Western countries indicate a likely decline in Official Development Assistance (ODA) over the coming years.



Increase funding options specifically for multi-sector projects and transboundary water cooperation, as RBOs remain largely reliant on member contributions despite emerging finance mechanisms.

Available funding for multi-sectoral projects accessible for transboundary RBOs is still limited and may decline in the next few years due to reduced ODA by key donors. It has to be questioned whether more funds dedicated solely to Nexus approaches (such as the Water and Energy for Food Fund co-financed by the EU) will emerge. However, increased funding mechanisms that specifically target Nexus projects and cross-sectoral management approaches — including ecosystems — are essential to further institutionalise the Nexus framework and replicate successful initiatives in other geographic regions. Programmatic funding approaches, which allocate resources to broader thematic areas rather than specific projects, should be prioritised as they enable more flexible, integrated implementation across sectors. The ultimate goal of the EU and other donors should be to make WEFE Nexus solutions progressively more affordable, eventually enabling them to outperform single-sector investments in impact and costs. Initial evidence highlights that this is feasible. Furthermore, donors should assist national and local governments in recognising the value of cross-sectoral approaches and encourage their commitment to investing in these solutions, thereby gradually reducing reliance on donor-driven initiatives.

Support sectoral financing mechanisms that can accommodate multi-sectoral projects and support innovations to improve access to private funding for transboundary Nexus projects, which remains rare.

One-stop-shop mechanisms that streamline access to multiple WEFE Nexus funding opportunities through a single platform would reduce funding fragmentation and channel resources from different sectors into integrated, multi-sector high-impact projects. Equally, sectoral finance mechanisms can provide entry-points to accelerate investment in Nexus solutions through cross-sectoral collaboration and leveraging financing from dominant sectors like energy or agriculture to address overlooked sectors. [The DREAM initiative](#) in Ethiopia, a solar-powered irrigation project, is an example of successful multi-stakeholder cooperation combining public finance and special funds including private-sector investment. Given that ODA is expected to decrease over the next few years, it is critical to fund projects that maximise synergies and win-wins across sectors, as opposed to single-sector initiatives with negative externalities for other sectors. As outlined in Section V, the WEFE Nexus has the potential to serve as a powerful tool for harmonising diverse policy objectives while simultaneously contributing to multiple Sustainable Development Goals (SDGs), thereby unlocking new funding opportunities inaccessible by single-sector projects.



CAPACITY & COORDINATION

Securing WEFE Nexus funding is challenging for understaffed RBOs and basin actors, requiring resources and training in cross-sectoral expertise and procurement. Development banks and financiers, traditionally focused on single-sector projects, face similar obstacles.

- **A lack of funding opportunities is not always the main bottleneck. Short on staff and resources, RBOs have limited capacity to participate in lengthy and highly competitive procurement processes.** This applies especially to climate finance. While climate finance offers a significant source of funding, accreditation processes and complicated procurement procedures are challenging for RBOs. Insufficient capacity affects also their ability to shoulder increased needs for coordination with other sectors, for example to generate awareness about the value of cross-sectoral water management or to design cross-sectoral projects. Given their limited resources and capacity, RBOs must prioritise and strategically select from the wide range of available funding options to maximise their impact.
- **RBOs typically lack expertise and practical understanding of financing multi-sector nexus projects.** This is understandable, as their mandate has traditionally centred on the water sector and a coordination role, with funding primarily provided by member states. Thus, developing a portfolio of bankable cross-sector projects and securing investment as well as navigating complex climate finance will, in most cases, require hiring specialised procurement staff and training. [The PIDA \(Programme for Infrastructure Development in Africa\) Water Programme](#), a multi-sectoral initiative covering five transboundary basins led by the African Union Development Agency (NEPAD) does exactly this. It aims to facilitate the development of investment cases and bankable transboundary water and hydropower projects, incorporating a WEFE Nexus perspective. Similar efforts have been made to enhance expertise among RBOs through the NRD programme or by UNECE.

- **The limited capacity, expertise and multi-sectoral teams within IFIs affect their ability to fund cross-sectoral projects and effectively support RBOs in project development and implementation.** Developing and financing cross-sectoral projects requires assessing the quality of applications or the eventual impact of completed projects. Given that the WEFE Nexus is relatively new, IFIs lack the experience to collaborate across sectors and are poorly equipped to assist RBOs in developing Nexus projects. However, IFIs have intensified their efforts through enhanced technical assistance, capacity development or political dialogue facilitation over recent years. The EU and other donors are central to actively building this still limited awareness, expertise and capacity as well as multi-sectoral teams, and they are already doing so. Training for staff within IFIs is critical, for example in developing a long-term Nexus strategy that gives multi-sectoral teams a roadmap for funding multi-sectoral projects and aligning portfolios across countries and sectors.
- **Moreover, RBOs have difficulties accessing the limited funding opportunities due to their partially restricted mandate.** Many RBOs are not permitted to apply for loans because of their legal status or lack of revenue streams that would allow for repayment. Grants typically target specific sectors and come with specific conditions that can be difficult for RBOs to meet. These requirements or restrictions limit the funding options available to RBOs and other basin actors for developing WEFE Nexus projects. Addressing these issues requires raising awareness among IFIs and potentially adjusting funding modalities for transboundary water cooperation to enable RBOs to pursue WEFE Nexus financing more proactively. As highlighted earlier, this is not applicable to all RBOs. For instance, the ICPDR intentionally relies on member states to fund its core activities, seeking to foster genuine engagement and ownership. In contrast, organisations like ZAMCOM and OMVS actively pursue diversified funding sources.
- **RBOs often struggle to secure funding and connect with financiers, especially in the private sector.** Targeted networking events, such as the [WEF Nexus Accelerator Bootcamp in the Niger Basin](#) or workshop on co-developing the [\(WEF\) Nexus Investment Project Screening and Appraisal Tool](#) with SADC member country representatives, organised under the NRD Programme, help bridge this gap. These events offered water-sector actors practical training in finance topics, connected them directly with potential investors, and provided support to develop conceptual project ideas into bankable investment opportunities through hands-on mentoring and pitch-development sessions. UNECE's [WEFE Nexus Task Force](#) serves as a discussion platform and has also addressed finance issues. UNECE has also convened [workshops on finance for transboundary water cooperation](#) including the WEFE Nexus featuring representatives from development banks and is planning a similar finance event in 2026. While the NRD-related finance activities were pilots, many RBOs will rely on regular events of this nature to strengthen their financial expertise and successfully secure the funding needed to further operationalise cross-sectoral approaches.
- **The unique characteristics of WEFE Nexus projects require tailored guidelines and frameworks, rendering those designed for single-sector projects often insufficient.** The NRD programmes undertook various activities to build this missing capacity and expertise. For example, the [WEF Nexus Tool Kit](#) equips RBOs with critical analytical methods highlighted across this brief, including cost-benefit analysis and multi-sector risk assessments, which aim to enhance the viability and attractiveness of projects RBOs and other actors develop and can present to potential funders as part of a portfolio with bankable projects. UNECE, too, has developed several guidelines on [financing transboundary water cooperation](#) and [the WEFE Nexus](#) specifically.



Expand capacity building for RBOs in funding mobilisation and finance basics through training, tools and guidance, as well as connecting them with financiers through targeted events. RBOs require skilled staff and adequate resources to successfully secure funding for cross-sectoral projects. Donors can build on existing initiatives to provide targeted support in this area: The NRD programme supported RBOs through various tools, guidance, trainings, and matchmaking events with financiers. [NEPAD's PIDA Water Programme](#) helps African water-sector actors to develop bankable transboundary projects. UNECE organises global workshops on finance, including for Nexus projects, and pioneers guidance on finance for transboundary water cooperation. Looking ahead,

offering Nexus finance trainings to RBOs regularly, peer-to-peer learning and exchange as well as matchmaking events with financiers will be necessary. In addition to UNECE's workshops, [the recently launched Peer-to-Peer Learning component with the Network of Basin Organisations \(INBO\)](#) may serve as a suitable entry point for Nexus finance. The same applies for [climate finance training](#) for African RBOs offered by GIZ. Existing Nexus-specific tools, such as [SADC's WEF Nexus Investment Project Evaluation and Appraisal Tool](#) need to be further developed to remain relevant and especially include the ecosystems component, also to keep up with emerging finance instruments and trends.



Promote the creation of specialised multi-sectoral expertise and teams within financing institutions to supervise cross-sectoral projects for RBOs and other basin actors. Without strong recognition of the value of cross-sectoral approaches in water management by IFIs, funding and specialised support for RBOs will likely remain insufficient. The aforementioned events organised by the NRD programme or UNECE serve as strong examples of initial efforts to engage development banks in WEFE Nexus financing. Notably, some development banks are already actively involved in this space. The Asian Development Bank has published [high-level guidance](#), based on a scoping study, to address WEF

Nexus challenges in Asia and the Pacific. The French Development Bank has a biodiversity task force aimed at mainstreaming biodiversity into the sectoral projects it finances, an approach that could similarly benefit cross-sectoral approaches in water resources management. IFIs are increasingly adopting cross-sectoral approaches in financing programmes, but targeted awareness raising, trainings and advocacy campaigns are needed to accelerate this process. For example, it would send a powerful signal if the World Bank, which does not currently advocate explicitly for the WEFE Nexus, integrated it into initiatives such as its [Cooperation in International Waters in Africa \(CIWA\) Programme](#).



RISK MANAGEMENT

RBOs and other basin actors must adopt robust de-risking strategies to address and reshape the perception of WEFE Nexus projects as high-risk investments. This includes implementing contingency plans, leveraging insurance mechanisms, utilising blended finance, and embedding climate resilience into project designs.

- **Water-sector investments face higher perceived risks than those in most other sectors.** Financiers are particularly wary of water investments in developing and emerging countries with poor governance systems, weak economies and unstable political environments. The risks compound significantly in transboundary river basins involving multiple countries that collectively participate in cross-sectoral projects. Each sector introduces distinctive risks and potential issues for implementation, while multi-country governance adds jurisdictional complexities. Nexus projects also typically require higher initial investments than single-sector approaches and demand longer financial maturation periods.
- **Effective risk management is crucial to improve Nexus projects' high-risk profiles and attract investors wary of them.** This requires the development of risk management strategies grounded in comprehensive risk assessments, risk-sharing mechanisms, insurance, and contingency planning. Developing such strategies requires specialised expertise and experience, which only few RBOs may possess. Standardised risk assessment frameworks, such as the Nexus Impact Assessment (NIA) Toolkit, can substantiate risk strategies and improve investor confidence. Developed by the NRD programme, the NIA is designed to support decision-makers in assessing project impacts, including conducting a Nexus Cost-Benefit Analysis for investment purposes. However, these Nexus-specific risk tools were only piloted in a few cases and large-scale application requires further development while equipping RBOs and other basin actors with the skills and expertise to effectively use them. The [Songwe River Basin Development programme](#) is an example of successful financial risk mitigation. It combines a hydropower dam and irrigation schemes shared by Tanzania and Malawi and has been financed through a Public-Private Partnership (PPP) that includes a financial risk mitigation regime, enabling risk to be transferred to those parties best equipped to manage them.
- **Blended finance mechanisms can mitigate risk as they bridge gaps where individual private or public financing options fall short.** PPPs allow private investors to mitigate risk through complementary public funding. Simultaneously, public entities can mobilise private debt and equity capital that would otherwise remain inaccessible for cross-border water projects. By leveraging these mechanisms, transboundary Nexus projects can overcome the financial risks posed by their complexity. The Blue Peace Fund involves creating a multi-sectoral, transboundary master plan with investment strategies that address infrastructure, data, monitoring, and other resources. The fund includes [Blue Peace Bonds](#), which blend public and private funding, issued by transboundary water organisations or municipalities and repaid through the revenue generated by the projects. Developing blended financing solutions, however, is complex and demands significant resources.

- **The incorporation of climate resilience measures into project design can mitigate long-term risks and attract climate finance.** [Studies](#) show that while climate-resilient infrastructure is costlier upfront, its lifetime benefits, such as reduced flood damage, outweigh the initial investment. This can increase its appeal to investors. The Climate Resilient Infrastructure Development Facility (CRIDF) in Southern Africa exemplifies this approach through its work in the Zambezi River Basin. Here, water infrastructure projects integrate climate adaptation strategies that enhance energy security, agricultural productivity, and ecosystem health, all while qualifying for climate finance such as the Adaptation Fund. Scenario-based WEFE Nexus assessments, like those conducted in GoNEXUS, offer a valuable tool for designing and optimising climate-resilient grey or green infrastructure projects under a warming climate. This approach was central to the [Zambezi case study](#), where the modelling aimed to optimise the operation of the basin's multiple hydropower dams and irrigation systems impacted by increasing floods and drought.



Support RBOs and other basin actors de-risking multi-sector projects perceived by investors as high risk through risk management, leveraging blended finance and incorporating climate resilience in project designs.

Risk management is a familiar concept for project developers and financiers, but multi-sectoral projects spanning multiple countries inherently carry greater risks. Therefore, robust risk management strategies, employing tools like credit guarantees and contingency plans, become crucial to ensure project viability. Early consultation with water and environment authorities in strategy development helps manage risks, preventing later delays and conflicts. RBOs, require support to develop risk strategies, as they can represent unfamiliar

territory. Fortunately, there are a few successful models to build on, such as [the Songwe River Basin Programme](#), and emerging tools and frameworks that can assist the development of risk strategies (like the NIA Toolkit). Cooperative arrangements where basin states agree to share costs and risks through joint management can also mitigate the perceived risk by investors, following the OMVS model of co-financing shared infrastructure in the Senegal Basin. Lastly, it is widely known that leveraging blended finance by strategically combining public and private capital and incorporating climate resilience components to access specialised funding can reduce the risks of cross-sectoral projects in transboundary basins.



EVIDENCE & COMMUNICATION

RBOs and other basin actors must demonstrate to political decision-makers that impactful WEFE Nexus projects can be scaled and deliver a return on investment, but the supporting evidence remains insufficient.

- **The real-world impact of the millions of euros invested in WEFE Nexus activities in recent years remains uncertain.** Even EU entities and global organisations financing Nexus initiatives admit the challenges in identifying tangible outcomes. A key factor contributing to this uncertainty is the difficulty associated with measuring their impacts. Cross-sectoral projects generate multifaceted economic returns and diverse revenue streams that conventional methods focused on narrow sets of economic criteria are ill-equipped to accommodate. This challenge is particularly pronounced when significant value comes from environmental and social co-benefits that are hard to monetise, especially when Payment for Ecosystem Services (PES) — schemes compensating stakeholders for preserving or enhancing ecosystem services — are involved. There is a particular need to prioritise the less bankable aspects of the WEFE Nexus, such as social and ecosystem dimensions, by leveraging [initial research](#) to integrate these into practical, feasible solutions within broader bankable projects.

- **In addition to perceptions of being high-risk investments, funding institutions still misconceive Nexus projects as being small-scale, which negatively affects funding mobilisation.** In reality, substantial examples exist, such as the US\$1.04 billion Kandadji Dam Project in Niger, combining hydropower, up to 45,000 hectares of irrigation, and water security measures across Niger River Basin countries. However, awareness of these successful large-scale implementations remains limited among financiers, perpetuating misconceptions about Nexus approaches' capability to address major infrastructure needs. This presents a classic chicken-and-egg dilemma: there are few large-scale WEFE Nexus projects, yet investors require evidence of successful large-scale projects before committing finance and setting up large multi-sectoral teams.
- **Evidence about the projects themselves, including their impacts and implementation, needs to be improved to attract more investment.** For instance, a Nexus project in Peru implemented through the NRD programme showed a return of US\$ 2.5 for every dollar invested over 30 years. This type of economic long-term data is rare but required for robust investment decisions. Often, the outcomes and impacts of potentially 'interesting' projects are poorly assessed and documented. The EU and other donors should continue to support rigorous research, monitoring and impact assessment methodologies, and financial performance metrics to document these benefits quantitatively. Future action should build on tools developed within the NRD Programme, such as the [Nexus Impact Assessment Toolkit](#), enabling RBOs and other basin actors to compare the impacts of Nexus projects with alternative investments into single-sector projects.
- **This evidence gap is further exacerbated by communication challenges that extend beyond the WEFE Nexus.** RBOs, regional organisations and national ministries generally struggle to articulate the economic advantages and societal value of transboundary water cooperation. This undermines their ability to secure greater member contributions to RBOs and other joint bodies during critical national budget negotiations with finance or economic ministries. It also partly explains why transboundary water cooperation remains a low political priority. These communication challenges are equally relevant to the WEFE Nexus, if not even more so given the elusiveness of their impacts. The ICPDR, for example, has struggled to effectively communicate the benefits of cross-sectoral approaches to the agricultural sector for years, whose stakeholders remain resistant to committing to cross-sectoral Dialogues and engage in measures in support of more sustainable water management.



Synthesise compelling evidence on the economic viability and impacts of nexus projects, currently perceived as small-scale and high risk, through a stocktaking study. Focus particularly on less bankable components such as ecosystems, and support RBOs and basin actors in communicating these benefits. The EU and other donors should also prioritise funding high-impact, larger-scale Nexus initiatives that can demonstrate commercial viability and scalability. This can be accomplished either by scaling up small-to-medium sized activities or by working with public institutions and utility-scale companies to develop infrastructure integrating Nexus approaches. The proposed stocktaking study may

identify projects that, whilst not explicitly designated under the WEFE Nexus, nonetheless embody its integrated, cross-sectoral principles and deliver comparable systemic benefits. It will be key to further develop existing methodologies, such as the [Nexus Impact Assessment Toolkit](#), as well as to systematically document evidence from around the globe. A central database, ideally hosted on the [Water, Energy & Food Security Resource Platform](#) would be highly beneficial. It could serve as a hub for collecting key information on projects (i.e., funding source and volume, involved sectors, risk mechanisms), enabling users to search for WEFE Nexus projects and interactively utilise relevant tools.

Robust transboundary legal frameworks and cross-sectoral policies are essential for attracting investment in Nexus solutions. Similarly, structural weaknesses in water finance hinder new funding and limit the implementation of the WEFE Nexus.

- **Basin treaties and strategies and especially RBOs provide the legal and institutional framework for transboundary water cooperation and management and are vital for raising funding, including investments in the WEFE Nexus.** These frameworks form the foundation for generating and distributing the benefits of cooperation among riparian states and users over time, ideally including financial arrangements between parties. They also reassure investors that the riparian states seeking funding for cross-border hydropower dam or irrigation projects are genuinely committed to peace and cooperation. Consequently, policy frameworks are the very foundation for any investment in cross-border projects.
- **Furthermore, cross-sectoral approaches need to be firmly anchored in basin-wide and national strategies and policies, with coherence across the policy landscape to signal strong political support for cross-sectoral water management.** Anchoring a cross-sectoral approach in policies encourages ministries, water agencies and others to prioritise and invest in cross-sectoral projects and solutions in transboundary basins. In the absence of such policies, sectors are likely to persist in funding isolated, single-sector initiatives. In many transboundary basins, cross-sectoral approaches are already engrained in basin-wide plans and strategies. However, national and local governments frequently fail to implement these policies, often due to limited political will, insufficient resources, and unqualified staff. Incoherent policies present an additional obstacle. For instance, the EU's Water Framework Directive (WFD) mandates riparian states in the Danube River basin to achieve good ecological status for the river. Simultaneously, the Common Agricultural Policy (CAP), the EU's main agricultural policy, as well as other policies, undermine that goal by poorly regulating environmental malpractice. Harmonising these policies would, among others, require the CAP to compensate farmers for sustainable agricultural practices adequately, for example, to maintain riparian buffer zones.
- **The integration of the WEFE nexus into regional strategies and instruments for implementation such as Nationally Determined Contributions (NDCs) can unlock additional funding for Nexus projects, while supporting the harmonisation of different water-relevant policies and strategies.** For instance, the NRD programme led to the development of a WEF Regional Governance Framework in Southern Africa, which garnered high-level political buy-in. Approved by SADC ministers of water and energy, the framework has the potential to drive Nexus implementation at national and local levels. Moreover, integrating the WEFE Nexus into national strategies for fulfilling global commitments, such as NDCs, can open up further funding opportunities, as donors often require such alignment. [Early examples](#) show that the Nexus approach can also enhance multi-sectoral coordination and support the synergistic implementation of National Biodiversity Strategies and Action Plans (NBSAPs) alongside NDCs. This integration, in turn, helps optimise project financing, minimise duplication, and ensure more efficient use of limited resources.
- **Funding Nexus initiatives is closely tied to addressing structural weaknesses in water-sector finance and macro-economic policies.** A few large companies dominate the market, private businesses rarely participate, public money is often spent ineffectively, and revenue generation is low. Notably, water-sector finance is heavily dominated by WASH and large-scale infrastructure, leaving limited funding for institutional aspects of cross-sectoral approaches and the ecosystem component, such as NbS. Meanwhile, funding for 'soft measures' like river basin planning remains stable or decreases, despite overall increases in water-sector finance over recent years — [a trend](#) mirrored globally. Moreover, countries in both the EU and Africa incentivise excessive water abstraction by imposing minimal or no fees, aiming to boost agricultural production and achieve food security 'at any cost' while overlooking the depletion of water resources and damage to freshwater ecosystems. Tackling such nature-harming subsidies is just one example of the broader need to establish and finance cross-sectoral approaches across water-relevant policies. These financial challenges, in turn, are further compounded by well-known political challenges in the water sector, such as inadequate political prioritisation and reluctance to provide financial support for cross-border cooperation.



Ensure coherent basin-wide policy frameworks — the basis for cross-border benefit sharing and a stable investment environment — that anchor cross-sectoral approaches while leveraging the WEFE Nexus to align sectoral policies, strategies and investment plans. Recognising cross-sectoral approaches in policy —from the basin to the local scale — encourages investment in Nexus solutions, while cross-border basin treaties and agreements provide planning security and reassure investors of riparian states' commitment to peace and cooperation. The [World Bank's Multi-Sector Investment Opportunity Analysis \(MSIOA\)](#) conducted in the Zambezi River Basin exemplifies this approach, having assessed water resources development options across sectors and benefits of cooperation among the riparian countries. This analysis directly informed the earlier outlined Strategic Plan for the Zambezi Watercourse and upcoming investment plans by ZAMCOM—efforts that both the GoNEXUS project and its predecessor, DAFNE, have further refined and expanded upon. Guidelines, such as those by ICPDR on [sustainable agriculture](#) or [hydropower](#), can further support the implementation of cross-sectoral policies. The WEFE Nexus should also be leveraged to synergistically align and harmonise national strategies, such as NDCs and NBSAPs. This can optimise project financing, minimise duplication, and ensure more efficient use of limited resources. Additionally, it can unlock new funding opportunities by enabling water projects to qualify for and access funds from other sectors, especially climate finance.

Reform water-sector finance issues by strategically realigning subsidies, political priorities, and budget allocations to prioritise cross-sectoral approaches in transboundary water management. The success of operationalising the WEFE Nexus requires more than just securing funding for isolated projects. It fundamentally depends on addressing broader structural challenges, such as reallocating funding beyond WASH projects and infrastructure to include significant investments in institutional development. Greater financial support is also needed for freshwater ecosystems, particularly through NbS and ecosystem-based adaptation (Ebba), while member states must increase their political commitment and financial contributions to transboundary water cooperation. Mobilising private-sector capital through innovative mechanisms is equally vital for financing water projects beyond traditional infrastructure. Additionally, harmful subsidies that encourage unsustainable practices, such as excessive water extraction or fertiliser overuse, must be eliminated. Without comprehensive reform of financial systems and sustained political commitment to cross-border water management, substantial improvements in WEFE Nexus finance and the systematic operationalisation of the approach will remain elusive.



Imprint

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