How to further mobilize private capital to support sustainable transboundary water management?

The example of Blue Peace Financing Initiative
Blue Peace Financing Program

VISION

A world where affordable and safe access to water-related services, from WASH to agriculture and energy, is provided to all, and where water is a vector for cooperation and peace, inclusive societies as well as economic and sustainable development, while water resources are managed in a sustainable, equitable and integrated way.

MISSION

Unlock public and private capital for better access to water-related services for all, while contributing to sustainable and integrated water resource management, water cooperation and peace.
Theory of Change

What:
Promote access to capital for local & regional non-sovereign entities.

HOW:
using water as entry point for multi-stakeholder cooperation frameworks, transforming them into investment platforms.

Catalytic capital transforms

Policy & Regulatory Framework

Mobilize/scale through BP Bonds

Public and Private Capital

Mobilize / access / scale

Livelihood assets

Upgrade

Creditworthiness of non-sovereign entity

Upgrade
The Gambia River Basin Development Organization (OMVG)

Organisation pour la mise en valeur du fleuve Gambie (OMVG)

Key OMVG Facts
Creation: 1978

4 Member Countries:
Gambia, Guinea, Senegal, Guinea-Bissau

3 Rivers:
Gambia (78'000 km²), Kayanga/Geba (15'000 km²), Koliba /Corubal (25'000 km²)
Resolution of the OMVG Council of Ministers on the Development of Innovative Financing Mechanisms

WHEREAS the Swiss Agency for Cooperation and Development (SDC) and its partners, including the United Nations Capital Development Fund (UNCDF), invited the OMVG in October 2019 to participate in a regional workshop in Banjul to launch the process of developing the OMVG’s Masterplan for the Integrated Development of its river basins, which will serve as the basis for the OMVG joint investment plan;

WHEREAS this partnership will help the OMVG to develop the Masterplan study and also equip the OMVG with the adequate tools to develop innovative financing mechanisms that will enable it to directly access the financial markets through the issuance of bonds;

WHEREAS this initiative should make it possible to raise the necessary funds for the implementation of joint and multisectoral investment plans;

Resolution Nr.13/CM/45/B/G on the Collaborative Partnership between OMVG & UNCDF (signed on December 2019)

MoU between OMVG and UNCDF (2020).
How does it work for River Basin Organizations (RBOs)?

Blue Peace Financing Partners

PROVIDE

TA Capacity Building

Mobilize

Bank

Contribute To

Insurance

Mobilize

Investors

1b

2a Structures

2b De-risks

3a Buy

River Basin Organization

1a Develops

Digital Masterplan

Joint Investment Plan

1b

4a Manages + Implements

4b Creates and owns

5a

3 Issues

Blue Peace Bond

Blue Peace Financing Mechanism

SPV

CAGACITY BUILDING

CAPITAL MOBILIZATION

BLUE PEACE FRAMEWORK

Blue Peace
Objective: strategic planning framework for the sustainable development of the 3 OMVG river basins & coherent basin-wide development program for the integrated and concerted management of water resources and ecosystems.

Expected results: Elaboration of the final PDDI for the three OMVG’s river basins, by refining the sectoral plans after the diagnostic study.

Current Stage: regional validation workshop / steering committee concluded Phase 2 report with the six sectoral plans. Activities for 3rd & final phase are ongoing.

Lot 1: Development of PDDI

Objective: support OMVG to bring its institutional capacity to the level that OMVG will be able to (a) respond to the requirements of the new Masterplan (PDDI); and (b) deliver its services to the member states in an efficient way.

Expected results: Development and implementation of a well-designed TA program, including specific TA plans for 6 thematic areas; (1) Strategic Planning & Engineering; (2) Finance Investment; (3) Environmental Management; (4) Infrastructure Planning; (5) Project Design; (6) Supervision of Infrastructure Delivery

Current Stage: Work has been kick-started

Lot 2: Technical Assistance (TA) Program

Objective: improve the functioning of the OMVG organization and its ability to implement its PDDI and Joint Investment Plan together with the Blue Peace Financing Structure.

Expected results: review of OMVG’s institutional & legal frameworks based on (1) analysis of the existing framework; (2) analysis of the regulatory and legislative environment relevant to OMVG in member countries; (3) recommendations on how to improve OMVG’s legal & institutional framework (4) final report, including implementation plan for recommendations.

Current Stage: Work has been kick-started

Lot 3: Legal & Institutional Review

OMVG institutional capacity building & Blue Peace Financing Structure

Localizing BP

Blue Peace / OMVG Joint Investment Plan
Blue Peace Financing Structure

**OMVG States**
- Council of Ministers
  - Gambia | Guinea | Guinea-Bissau | Senegal

**OMVG Joint Investment Plan**
(Pool of selected projects to receive funding)

**OMVG**
- High Commission
  (Project Sponsor)
- Project Management Unit (PMU)

**OMVG Blue Peace Management Agency**
(SPV Issuer & Manager of the Bond Proceeds)

**Placement Agent**
(Lead Arranger)

**Cash Reserve for Transaction Costs**
- Funding

**Monitoring & Advisory Committee (MAC)**

**Bond Trustee**
(Paying Agent)

**Placement agreement**

**OMVG Grants Fund & Technical Assistance Facility**

**Operational Manager**
(Administrator of Bond proceeds)

**Donors**

**Notes** (*) To be supported by a public guarantor

**Legend**
- Discontinued lines are optional but strongly recommended for more efficiency
- Color blue shows OMVG governance structure and implementing vehicles
- Color orange represents credit enhancement features
- Color red shows financial intermediaries helping with the process and payments
- Color green shows funding needs to cover transaction costs

**Inter-governmental agreement**
- Incorporation agreement

**Management contract**
- Management fees

**Assumption agreement**
(under Subsidiary agreement)

**Trust indenture / Paying agent agreement**
- Bond proceeds
- Debt service payments
- Trustee fees

**Indemnity for partial guarantee**

**Partial Credit Guarantee**
(*)

**Placement agreement**

**OMVG Blue Peace Financing Structure**

**Inter-governmental agreement**

**Incorporation agreement**

**OMVG Grants Fund & Technical Assistance Facility**

**Grants agreements**
- Bond proceeds (% to grants)

**Grants agreements**

**OMVG Joint Investment Plan**

**OMVG**

**Inter-governmental agreement**

**Incorporation agreement**

**OMVG Grants Fund & Technical Assistance Facility**

**Grants agreements**
- Bond proceeds (% to grants)

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**Grants agreements**
- Bond proceeds (% to grants)

**OMVG Joint Investment Plan**
(Pool of selected projects to receive funding)
Example of a Joint Investment Plan - Indicative Pipeline of Projects

Energy / Hydro Power

Opportunity
- Electricity access rate is still low: between 12% -65% (WB, 2012-2016) and average power costs are expensive.
- Project sites closer to the OMVG interconnected network.

Projects Pipeline: Digan, Kourawel, Fello-Souna, Saltinho, etc.

Drinking Water

Opportunity
- Lack of reliable and sufficient water system / reservoirs / wells specially in rural / dry areas.

Projects Pipeline: hydro damn surroundings, municipalities.

Forestry / Ecotourism

Opportunity
- Rich wildlife and biodiversity sites which are protected.
- Mismanagement/poor protection against nature degradation.

Projects Pipeline: Natural parks in the respective countries.

Agriculture / Irrigated Land

Opportunity
Agriculture remains a key factor for accelerating inclusive economic growth and diversification. Agriculture accounts for more than 60% of the workforce in the OMVF region, most of them, poor rural farmers.

Projects Pipeline: Integrated irrigation with hydro dams.

Market / Storage Facility / Terminal Station

Opportunity
- Cross-border cities & markets are strategically situated.
- Consumer staples markets where essential goods are traded constantly.

Projects Pipeline: Quebo, Farafenni, Koundara, Dioabé, etc.

Transport / River Navigation System

Opportunity
- Navigable river inland with a huge potential for ecotourism.
- High demand & production of products from silviculture agriculture and fishery resources.


KEY PORTFOLIO FEATURES:
- Pipeline: 20 to 30 deals
- Projects capex: $1-2 billion
- Income generating activities
- Strong environmental & social impact
- Well diversified
- Contributes to sustainable management of natural resources, environmental protection and rehabilitation
Thank you for your Attention!

www.uncdf.org

UNCDF Blue Peace Financing Program

Blue Peace