

SPECIAL SESSION ON FINANCING FOR DEVELOPMENT

REGIONAL COORDINATION MECHANISM,
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Context



Emerging and developing countries mobilized USD 7.7 trillion in 2012 in domestic mobilization, increasing by USD 6 trillion from 2000

Bond issuance and commercial banks lending have increased four fold between 2000 to 2012

USD 646 billion of FDI in 2016 in developing countries, compared to ODA of USD 140 billion

Institutional investors (pension funds, sovereign wealth funds, etc) hold over USD 85 trillion in assets, with currently negligible share of SDG financing

Private Sector Leveraging and Innovation critical for meeting upto USD 4.5 trillion annually needed for meeting SDG



Leveraging Private Sector Financing: The Way Forward

Table 1: Private Finance Mobilization by MDBs: All Countries of Operation

Total Long Term Financing	Private Co-financing (\$ billion)	Private Direct Mobilization (\$ billion)	Private Indirect Mobilization (\$ billion)
ADB	9.0	0.5	8.5
AfDB	1.9	1.1	0.8
AIIB	0.0	0.0	0.0
EBRD	10.0	1.5	8.5
EIB	90.4	36.5	53.9
IDBG	1.7	0.7	1.0
IsDB Group	12.4	0.9	11.5
WBG	38.3	8.7	29.6
-IFC	20.1	4.1	16.0
-MIGA	7.2	4.0	3.2
-WB	11.0	0.6	10.4
TOTAL	163.6	49.9	113.7

Source: "Mobilization of Private Finance by Multilateral Development Banks: 2016 Joint Report"
(www.worldbank.org/mdbmob).



MFD Accelerators and Multi Sectoral Assessments: Taking MFD forward

Global initiative of working together across WB, IFC and MIGA piloting in 10 countries – Egypt, Tunisia, Jordan, Lebanon, Nepal, Bangladesh, Vietnam, Indonesia, Cote D Ivoire, Malawi

	Sector Scope	Team
Egypt	Energy: Power; Oil & Gas Transport: multi-modal freight Water: water & sanitation, and irrigation Agriculture	Activity leadership: SD GPs: Energy; Transport Water; Agriculture; SURR EFI GPs: Governance; F&M; Macro; T&C Broader WBG: IFC

- **Ensuring Government Ownership at a very early stage:** Mobilizing multi-sectorial team is not only costly, but has a huge “tax” on client countries’ time
- **Cross-cutting issues and alignment of objectives :** When there is consensus on design of development solutions, we are certainly at our best. However, when our priorities are different, there needs to be a clear process in place to arbitrage constructively.

PLUS: coordination with development partners



Egypt Power: Example of MFD collaboration across the WBG, managing country, sector and project risks

Upstream: Reducing fiscal cost and enabling private engagement

TO DATE

Subsidies reduced to 3.3% of GDP & average electricity tariffs at increased but affordable US\$0.05/kwh.

Renewable energy now more commercially attractive for investors and affordable for consumers.

World Bank DPF1 (\$1bn)

- Debt management strategy
- Electricity tariff increase of 11% on average
- Electricity Law enabling independent regulator
- Renewable Energy Law and feed in tariff policy

World Bank DPF2 (\$1bn)

- Electricity tariff increase of 33% on average
- Revise feed in tariff policy for promoting private investment in renewables
- Strategic policy unit set up at Minister's office

World Bank DPF3 (expected by Dec 2017)

- Electricity tariff increase of 40% on average
- Ushering in accountability and transparency by functional independence of EETC (power offtaker of private sector generation)
- Adopting auctions for next phase of private investment in solar

World Bank and IFC TA

- Joint Implementation Plan identifying renewables and upstream gas as priority areas for private investment
- Provided TA to GoE on energy subsidy and power sector reforms, energy pricing and corporate governance

Downstream: Solar FiT program and other MDB support

IFC

- Leading the development of bankable project documents (together with EBRD)

IFC/MIGA

Solar FiT program (up to 650MW of solar photovoltaic plants through private investment)

- **IFC** provides \$200m financing + mobilizing up to \$450m in B loans and parallel loans
- **MIGA** Political risk insurance expected up to \$400m for solar projects

Egypt launched feed-in tariff scheme for both solar and wind renewable energy projects

2014

2015

2016

2017

2018

Issues and Way Forward for Meeting SDG Financing in MENA



MDBs and Agencies to take role of Integrator and facilitator for cross sectoral coordination for Government owned program on shared vision of private sector led job creation

Mainstream Innovation on new technologies, financing (like Green Bonds) across sectors
and shared vision

Focus on upstream reforms first, rather than getting PPP deals (huge unfinished agenda of policy and regulatory frameworks)

Building institutional capacity in Governments central to enhancing “trust” in private sector by MENA societies (central to change in Social Contract)

Getting early successes on areas like Renewable Energy, Logistics and Regional integration on energy





THANK YOU



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