SPECIAL SESSION ON FINANCING FOR DEVELOPMENT

REGIONAL COORDINATION MECHANISM, OCTOBER 22, 2018

Ashish Khanna
Program Leader Sustainable Development
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 fourfold 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 up to 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

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

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

<table>
<thead>
<tr>
<th>Sector Scope</th>
<th>Team</th>
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</thead>
<tbody>
<tr>
<td>Egypt</td>
<td></td>
</tr>
<tr>
<td><strong>Energy:</strong> Power; Oil &amp; Gas</td>
<td><strong>Activity leadership:</strong> SD GPs: Energy; Transport Water; Agriculture; SURR EFi GPs: Governance; F&amp;M; Macro; T&amp;C Broader WBG: IFC</td>
</tr>
<tr>
<td><strong>Transport:</strong> multi-modal freight</td>
<td></td>
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<tr>
<td><strong>Water:</strong> water &amp; sanitation, and irrigation</td>
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<tr>
<td><strong>Agriculture</strong></td>
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</tbody>
</table>

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

**Upstream: Reducing fiscal cost and enabling private engagement**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>• Debt management strategy</td>
<td>• Electricity tariff increase of 33% on average</td>
<td>• Electricity tariff increase of 40% on average</td>
</tr>
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<td>• Electricity tariff increase of 11% on average</td>
<td>• Revise feed in tariff policy for promoting private investment in renewables</td>
<td>• Ushering in accountability and transparency by functional independence of EETC (power offtaker of private sector generation)</td>
</tr>
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<td>• Electricity Law enabling independent regulator</td>
<td>• Strategic policy unit set up at Minister’s office</td>
<td>• Adopting auctions for next phase of private investment in solar</td>
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<td>• Renewable Energy Law and feed in tariff policy</td>
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**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**

<table>
<thead>
<tr>
<th>IFC</th>
<th>IFC/MIGA Solar FiT program (up to 650MW of solar photovoltaic plants through private investment)</th>
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<td>• Leading the development of bankable project documents (together with EBRD)</td>
<td>• IFC provides $200m financing + mobilizing up to $450m in B loans and parallel loans</td>
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<td>• MIGA Political risk insurance expected up to $400m for solar projects</td>
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### Egypt Power

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

#### 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

- 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

- 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

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**IFC**

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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