Introduction to Maximizing Finance for Development

- What is Maximizing Finance for Development (MFD)?
- Why are we using this approach?
- What are we trying to achieve?
- Introduction to the Cascade Approach
- Available guidance and metrics
Resource constraints and increased demands require a paradigm shift

MFD expands on the MDB commitment and Hamburg principles:

- Development finance resources are contracting at a time when aspirations are rising.
- To address this gap, MDBs have committed to collectively increase private financing mobilized by **25%-35% over the next three years up to 2020**.
- The ‘Hamburg Principles’ reaffirm the commitment of G20 member countries and MDBs to foster effective approaches to mobilization of private sector resources.
- MFD promotes a holistic approach to assessing development challenges, and draws on the expertise, products, and services of IDA/IBRD, IFC and MIGA.

MDBs are guided by the Principles for Crowding-in Private Sector Finance articulated in Hamburg

- Recognize country ownership
- Investment-friendly environment
- Prioritize commercial finance
- Expand and standardize credit enhancement
- Blend concessional resource with private capital
- Review incentive
What is MFD?

“Pursuing private sector solutions where they can help achieve development goals, and reserving scarce public finance for where it is most needed.” – Development Committee Paper, 2017

**Maximizing finance for development**

MFD requires identifying the right investments, taking the financial risk to initiate them, and implementing them effectively and efficiently.

**by leveraging the private sector**

Creates imperative to leverage the private sector for economically beneficial, sustainable investments that contribute to development goals.

**and optimizing the use of scarce public resources**

Public sector faces limitations in meeting this need, including in fiscal space, capacity, and governance.
When a project is presented, ask these questions:

- Is there private sector solution…
- …that is sustainable
- …and that limits public debt & contingent liabilities?

If yes, then promote such private solutions

If no, is it because of policy, regulatory gaps?

If so, provide WBG support for policy and regulatory reform

Or, is it because of risks?

If so, assess the risks and see whether WBG instruments can address them

Does the project require public funding?

If you conclude the project requires public funding, pursue that option
MFD is a component of the Forward Look: WBG Vision 2030

A better and stronger WBG is essential to help reach the twin goals, meet the SDGs, and better promote collective action on global public goods

<table>
<thead>
<tr>
<th>What are our development goals?</th>
<th>To achieve them, what should happen?</th>
<th>How will the WBG do it?</th>
<th>What strategies and programs were launched?</th>
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</table>
| Eradicate Poverty | • accelerate inclusive and sustainable economic growth  
• help countries invest more effectively in people  
• foster resilience to global shocks and threats | • assist all client segments  
• maximize the WBG value-chain: link reform, investment and mobilization  
• lead on global issues  
• improve our business model  
• and ensure adequate financial capacity to meet clients’ rising demand for services | Maximizing financing for Development  
Climate Action Plan  
Agile Bank  
IDA Replenishment and Private Sector Window |
MFD is in our DNA

We revisit our purpose statement in the present context with two key distinctions: We will do so more deliberately and we will do so jointly: IBRD/IDA, IFC and MIGA

IBRD Articles of Association (ii) and (iv)

(ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

(iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

….led to the creation of IFC in 1956

The purpose of IFC is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in the less developed areas, thus supplementing the activities of the International Bank for Reconstruction and Development […]. (Article 1, excerpt)

….and MIGA in 1988

Recognizing that the flow of foreign investment to developing countries would be facilitated and further encouraged by alleviating concerns related to non-commercial risks.
Is there a **private sector solution**…

…that is sustainable

…and that limits **public debt & contingent liabilities**?

**A private sector solution** to a development challenge is one that leverages the financial and/or technical capacity of the private sector to result in more or better investment, by aligning profit incentives with development objectives. It could involve private sector finance and/or delivery, under different legal, regulatory, institutional arrangements.

**Characteristics of a sustainable private sector solution:**

- Economically efficient
- Commercially viable
- Fiscally sustainable
- Transparent in the allocation of risks
- Provide value for money and
- Ensure environmental sustainability
- Ensures social equity and affordability

**A private sector solution** ought to be assessed for affordability — i.e. its impact on the public budget ceiling and whether this ceiling can accommodate the expenditure for the project over time. It assesses whether the government can afford both the direct and contingent obligations arising from this private sector solution.
Breaking down the Cascade Approach: Project context will dictate the appropriate private solution

Is there potential for a competitive market solution?

- **Competitive market** requires many potential buyers and sellers, good information, and limited externalities
- Private sector solutions could encompass private ownership and control—fully devolving responsibility for investment decision-making, financial risk-bearing, and operations, and relying on market pressures for efficient outcomes
- Public intervention may be needed to adjust for externalities or equity considerations; or to overcome market dysfunction e.g. due to limited information.

Is there potential for a commercial, or "user pays" solution?

- Many infrastructure sectors are natural monopolies providing quasi-private goods
- **Commercial ("user-pays") solutions** may be possible absent competitive market for private goods or services and charging users feasible and desirable (e.g. to manage demand)
- Public involvement needed at minimum to guide investment decision-making and regulate prices in public interest
- Private sector solutions can involve financial risk-bearing and/or operations, under a range of contractual, regulatory, ownership structures.

Is there potential for a private delivery solution?

- Many development goods or services require **public funding**
- Public sector responsible for investment decision-making,
- Public sector bears majority of financial risk through long-term payment commitment or "availability payments"
- Private sector solutions could involve operations with varying degrees of risk and responsibility
- Private finance can help align incentives but does not reduce fiscal burden

Private finance is possible across these solutions
While we make our interventions at the project level, MFD is about sectoral transformation, not about doing transactions per se
WBG Engagement on Colombia Roads

RESULTS TO DATE
32 out of 33 projects planned under 4G have been awarded. These represent a total expected initial investment of $14.8 billion.

UPSTREAM
* IBRD/IFC
  - Support for institutional framework strengthening including creation of ANI
  - Capacity building for FDN & ANI
  - Support for new PPP law and Infrastructure Law
  - Legal framework for PPP is a prior action for DPL

CAPITAL MARKET/CREDIT ENHANCEMENT
* IBRD
  - Improved pricing benchmark
  - Standardized bond structure with FDN guarantee
  - Regulations on infrastructure debt funds
  - Support FDN in guarantee design and project bond design

* IBRD
  - IFC $70 million investment in FDN
  - CAF $50 million investment in FDN
  - IFC $50 million in local infrastructure debt fund
  - Support for infrastructure development finance through MIGA loan guarantee for state development bank, Findeter

* IFC
  - Investment in Santana Neiva (pending investment review)
  - IBRD demonstration financing structure with project bond for Bucaramanga-Pamplona toll road

Source: PPI Database
Egypt Power: Example of MFD collaboration across the WBG

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

**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)

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

**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

**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.

2014  2015  2016  2017  2018
WAEMU: Affordable Housing Finance

Upstream: Creation of mortgage refinance company and policies for affordable housing supply

**IBRD Advisory Services to set up Mortgage Refinance Company – regional**
- 2004 Policy Note on Housing Finance and 2008 FSAP recommends the creation of a refinancing facility
- 2005 Bamako conference endorsed the principle
- 2010 Regional Mortgage Refinance Company CRRH created
- 2012 CRHH starts operating and issues first bond

**TO DATE**
Regional Mortgage Refinance Company CRRH has:
- 1) Issued 6 bonds of 10-year maturity in the regional capital market
- 2) Refinanced about 5,000 mortgages but mostly high income and only from banks

**Downstream:**
Financing of Affordable Housing in Abidjan and secondary Cities with IDA Private Sector Window

**IBRD and donors TA on land/urban reforms**
- Improving access to land for low income housing (Cote d’Ivoire)
- Operationalization of New Land agency (Benin)
- Study for affordable housing greater Bamako (Mali)

**Upstream: Scaling up affordable housing finance**

**IDA IPF**
- $130 M IDA Credit to expand mortgage refinancing to lower-income households and microfinance institutions
- $25 M IDA Grant to support housing policies and expansion of mortgage refinancing

**IFC investment into CRRH**
- IFC $2 M equity investment into CRRH
- Planned IDA Private Sector Window Blended Finance and Local Currency to extend tenor of CRRH Bonds

Last Updated: November 2017
Solomon Islands Sustainable Tuna Fishing

**RESULTS TO DATE**
- Greater share of value chain captured by Solomon Islands
- Better integration between the supply side (NFD) and post-catch processing (SolTuna)
- Creation of additional jobs, both on-shore (particularly for women) and at sea (including SI Crew)
- Perfect alignment with SI regulatory requirements

**UPSTREAM**

### 2014: Original IFC SolTuna Investment
- $10 million loan
- Upgrade and extension of Solomon Islands only tuna loining and canning facility
- IFC first wild catch investment in more than 15 years

### 2015: WB PROP Project
- IDA grants and credits, + GEF, over 5 years 2015-2020, $11.12 million total for SI
- 3 main components:
  - Sustainable management of oceanic fisheries
  - Sustainable management of coastal fisheries
  - Sustainable financing of the conservation of critical fishery habitats

**DOWNSTREAM**

**WB Tuna Sustainability Report**
- Meeting IFC requirement on sustainability for wild catch investment
- Developed during Field Appraisal Mission
- Based on updated WCPFC catch data and status assessments
- Drawing on consultations from multiple partners (government, donors, NGOs)

**IFC NFD Loan**
- June 1, 2016 - IFC Concept Review Meeting
- June 20 – 24, 2016 – Field appraisal
- Nov. 3, 2017 – PDS-Concept cleared
- Dec. 16, 2016 – Mandate letter signed
- Jan. 26, 2017 – Investment Review Meeting
- June 6, 2017 – Board approval obtained
- June 15, 2017 – Commitment
- August 9, 2017 – 1st Disbursement
Entry points for MFD

IN SOME CASES, WB, IFC, MIGA JOINT IMPLEMENTATION PLAN

Systematic Country Diagnostic → Country Partnership Framework

Updated CPF guidance

IDA/IBRD PCN → IFC/MIGA Concept Review

Updated PCN guidance
MFD Project Definition

Infrastructure Sector Assessment Program (InfraSAP) → IFC Country Private Sector Diagnostic (CPSD) → Sector diagnostics and other analytical work → Advisory Services and Analytics
Assessing fiscal implications of projects is key to account for uncertain or deferred costs

PPP proposed

1. Is the project good?
2. Forecast cash flows
3. Analyze risks
4. Assess accounting
5. Good project as PPP?
6. Fiscal implications acceptable?
7. Look for opportunities to learn
Diagnostics

Infrastructure Sector Assessment Programs (InfraSAP)

a new strategic planning tool that helps teams working with government clients to identify opportunities to maximize finance for priority infrastructure investments, and the sequenced actions needed at country, sector, and project level to unlock those opportunities.

Country Private Sector Diagnostic (CPSD)

takes an investor perspective in reviewing all economic sectors to identify opportunities for action to spur private sector-led growth.
MFD-Enabling Projects and Mobilizing Private Capital

Maximizing Finance for Development (MFD)

Overview  Country Examples  Contacts

The Maximizing Finance for Development (MFD) approach asks the WBG to help countries maximize their development resources by drawing on private financing and sustainable private sector solutions to provide value for money and meet the highest environmental, social, and fiscal responsibility standards, and reserve scarce public financing for those areas where private sector engagement is not optimal or available.

Featured

Maximizing Finance for Development, a Unified Approach

Two project teams shared their experiences of "maximizing finance for development" (MFD) in Preston Auditorium in Washington, DC and to over 58 country offices online on October 2nd. The teams that worked on projects in Egypt and Turkey shared how the "cascade" approach worked in real life to help achieve development goals in sectors that were previously seen as too risky or ill-suited to private investment.

View Story
Metrics

- **WB - “MFD-Enabling Projects”:** Activities that address binding constraints at the country, market, or sector level in a way that is expected to unlock private solutions within a short timeframe (three years’ post-completion).

- **Private capital mobilized:** The WBG Corporate Scorecard already tracks private finance mobilized, directly or indirectly, in compliance with the MDB-agreed methodology.
MFD-Enabling Projects – what are they?

- MFD-enabling projects are those that address binding constraints to enable sustainable private sector solutions for development projects within three (3) years of the project’s closing date as defined in the operations manual.

- Binding constraints are bottlenecks in the enabling environment at sector or country level, or physical, operational, or system bottlenecks which prevent private sector solutions from being implemented.

- Private sector solutions may take forms of financing and/or delivery of development projects by a private entity.
MFD-Enabling Projects - Examples

- Public investment in the core elements of networks that represent physical binding constraint to private solution, for example:
  - Transmission lines to connect private generation to power networks
  - Transport infrastructure that links cities to commercial ports and airports
  - Water and sanitation trunk infrastructure expansion that enables concession
  - A project that supports financial or capital market reform to unlock additional sources of private financing or that open new markets and opportunities for private solutions.

- A project that establish feed-in tariffs, auctions, or addressing legacy debt that enables private solutions.

- A project that supports institutional development to organize small holder farmers to enable commercial-scale farming.

- A project that provide programmatic support to a line ministry to strengthen capacity to procure and manage PPP contracts.

- A project targeting improvements in SOE governance, operations, or investment in assets that is expected to enable an SOE to become commercially sustainable without government support and attract private financing.
Total private mobilization consists of two components

Total private mobilization

= 

Private direct mobilization
is financing from a private entity on commercial terms due to the active and direct involvement of a MDB leading to commitment. Evidence of active and direct involvement include mandate letters, fees linked to financial commitment or other validated or auditable evidence of a MDB’s active and direct role leading to commitment of other private financiers. PDM does not include sponsor financing.

+ 

Private indirect mobilization
is financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity’s finance. PIM includes sponsor financing, if the sponsor qualifies as a private entity.
Illustration of mobilization connected to WBG projects

DIRECT MOBILIZATION

WBG contractually engaged to arrange private investment for the client

Example: $200 million project to build a water treatment plant
IFC invests $40 million, and syndicates another $60 million loan.
$60 million is *Mobilized*

INDIRECT MOBILIZATION

WBG involvement in a project which attracts private investment in the same project

Example: $200 million project to build a water treatment plant
Black Rock makes a $100 million loan to the project. Mobilized is now $160 million
Annex – Country examples of MFD
Jordan: Queen Alia Intl. Airport

RESULTS

Transition to full private funding for over $1bn in expansion work
Leveraging of private sector operational expertise
Delivery of high cash-generating asset to government

Investment ($ million)

$227m
QAIA initial construction, public sector financed

$865m
New QAIA Airport
fully private sector financed w/IFI support

$167m investment
QAIA expansion

$120m
IFI A/C loan

$100m - IsDB

$485m = sponsor*

$160m = commercial lending

IFI = $46m

$48m
Com. Lending

$72m
Sponsor* = 

* Sponsor contribution includes equity plus cash generation

WB-USAID support to government on privatization, regulatory & public sector reforms & PPPs ($25m total)

Institutional reform
Executive Privatization Unit set up within Prime Minister’s Office (key counterpart on move to PPP QAIA)

Privatization Law promulgated

Last Updated: February 2017
Jordan: Queen Alia Intl. Airport

**Pre-PPP (<2007)**
- $28m losses per year
- Poor service = 186th global ranking
- 3.9m passengers yearly
- Airport capacity not aligned with tourism ambitions
- Weak PPP track-record for country

**World Bank support**
- Engaged with government to implement programs aimed at supporting privatization, private sector investment and public sector reform--key macro issues at the time included national infrastructure almost exclusively state owned and poorly managed, inefficient delivery of public sector services, and high level of public debt (115% of GDP in 1997)
- Managed USAID trust funds ($24m) over the period up to 2011; this is estimated to have helped generate $4bn in capital inflows (incl. $2.3bn in privatization proceeds)
- Provided project preparation funding for government to hire technical and legal advisors

**IFC (QAIA) project support**
- Lead the advisory work for the government, tendering out the largest ever PPP in the country, and achieving a record revenue share for the government (54.6%)
- Invested $141m, and mobilized $200m in commercial lending as well as a $125m ISDB loan since 2007

**Post-PPP**
- $3.5-4bn (est.) for government over concession
- Best airport in Middle East (2014 & 2015)
- 7.1m passengers in 2015 (8% growth pa)
- 50,000 jobs in tourism sector and 23,000 (est.) to be created at QAIA
- Disi water and Tafila wind projects developed in wake of QAIA success
Kenya Water

**Commercial financing to water utilities** ($ millions)

- **Legal & Regulatory Framework**
  - Kenya Water Act 2002 separates responsibilities for asset ownership and operation, and introduces ring fencing
  - Tariff reform 2009
  - Water Act of 2016 actively encourages debt financing

- **Financial Markets**
  - Seven formal credit ratings undertaken (2008)
  - Shadow credit ratings for 43 WSPs (2011)
  - Shadow credit ratings for 54 WSPs (2015)

- **Asset Improvement**
  - IDA $150m grant for asset improvement
  - AfDB/IBRD/EIB Ndakaine dam & major infrastructure projects supported thru loans
  - AFD/KfW/World Bank WSBs and WSPs supported thru loans to the government
  - IBRD provided $450m additional financing under WaSSIP
  - KUWAS supporting project pipeline & $2.5m of closed deals
  - Kenya Pooled Water Fund (under development by GoK with support from Dutch Govt)

- **Support for Local Banks**
  - IBRD Pilot w/K-Rep Bank (2007)
  - IBRD K-Rep Bank program scaled up w/EU support (2010)
  - IBRD provided $6m in commercial loans to Nairobi WSC for 10 years
  - $2.5m for OBA backed water company

*Commercial financing includes commercial loans from domestic banks, which may be supported by partial credit guarantees from development partners.

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**Results to Date**

$12.7 million commercial financing mobilized to improve services in low income areas, with $20 million in pipeline.

Tenor of loan increased from 5 years in pilot phase to 10 years.
Benin: Water

**LEGAL FRAMEWORK**

IBRD General Budget Support set framework for Water sector reform (2006), which delegated management of rural water supply systems to private sector.

**TECHNICAL ASSISTANCE**

- Business development
- Capacity building for government, local operators and commercial banks

**EVALUATION**

WSP identified in 2010 areas for improvement for water systems & designed a TA program, later (2012) partnering with IFC.

**DOWNSTREAM**

IFC/IBRD
- Four pilot PPP transaction closed for rural piped water schemes (2014)

IDA/IBRD
- $33.5m investment to support PPP scale-up to 180 small-scale water schemes

**RESULTS TO DATE**

$277,000 mobilized through private operator debt and equity financing & improved and sustainable access to services for 23,000 people.

ID$4m expected financing for 150 small-scale water schemes with IFC and PPP CCSA providing transaction support for implementation.

Last Updated: March 2017
East Africa: ICT

**UPSTREAM: Creating an enabling environment for private investment**

- **IDA $400m** Regional Communications Infrastructure Program (RCIP) addresses region’s connectivity constraints by supporting an enabling environment, roll-out of national backbones and developing e-Government applications

**UPSTREAM: Eastern Africa Submarine Cable System**

- **IFC/IBRD** consultations with private sector operators on financing for infrastructure in East Africa (2003)
- **IBRD** WBG engaged in dialogue in regional ministerial meetings to look at financing submarine cable along the East Coast as a PPP (2006-2008)
- **IFC** established WIOCC, a consortium company jointly owned by 14 African telecommunications companies to invest in EASSy (2007)

**DOWNSTREAM: CSquared**

- **CSquared** – fiber optic network in Uganda, Ghana & Liberia
- **IFC** partnering with Google on Digital Infrastructure Initiative to develop and operate wholesale-only carrier-neutral and open-access fiber networks
- **IFC** is 25% shareholder in project company (CSquared) with initial commitment of $15m equity (2017)

**DOWNSTREAM: Eastern Africa Submarine Cable System**

- **Eastern Africa Submarine Cable System (EASSy)** - 10,000 km fiber optic cable connecting 8 countries in East Africa
- **$165m** pledged by 26 private telecommunication operators
- **$70m** financing contributed by development partners including $32.7m IFC loans
- **$20m** additional financing from IFC committed in 2017
- **$2m** investment in Somalia Govt backbone via Daikin

Last Updated: November 2017
Turkey: Healthcare

**LEGAL/REGULATORY FRAMEWORK**

- **IBRD** collaborated on design of Health Transformation Program (HTP) aimed to reform and modernize the Turkish public health sector and realize universal health insurance coverage.

**TO DATE**

- Approx. 35 hospitals and integrated health campuses in 22 cities planned through PPP model.
- $3.6 billion of private investment mobilized.
- Turkey’s 1st project bond for a PPP & 1st “Green and Social” project bond issued.

**2003-2017 Timeline**

- Establishment of Healthcare PPP Program.
- Healthcare PPP Law 2013 to provide stronger legal ground for health PPP projects.
- IFC $241m loan mobilized in 4 projects (Adana, Kayseri, Yozgat, Elazig).
- MIGA $855m in support to 6 projects (Adana, Yozgat, Gaziantep, Bursa, Istanbul, Elazig).
- IBRD: $34m loan including capacity building for MoH to manage PPP projects.
- Inception of project.
- First hospitals opened.
- Upstream: Green and Social.
- Downstream: PPP.

**Elazig Integrated Health Campus**

- 1st project bond for a PPP & 1st Green and Social project bond in Turkey.
- Reached financial close in Dec 2016.
- IFC €80m investment in project bond.
- EBRD €89m in liquidity facilities supporting project construction and operation.
- MIGA 20-year political risk guarantee.

**Opening and commissioning of 1st hospitals: Yozgat and Mersin Hospital PPPs**

Last Updated: October 2017
Public infrastructure provision via PPP expanded rapidly but GoP took most of the risk in projects through explicit and implicit guarantees. This led to higher than expected fiscal burden and misaligned incentives for the private sector.

**WBG SUPPORT TO DATE**

- Development of new fiscally sustainable PPP framework & deeper local capital markets
- Identification of demonstration transactions, to be structured using the new PPP framework

**UPSTREAM**

**PROJECT CYCLE / RISK ALLOCATION / LEGAL & REGULATORY**

**World Bank** implemented a program to support the GoP to improve its entire PPP project cycle and risk allocation model to ensure fiscal sustainability and maximize mobilization of private sector financing of infrastructure:

- a. Supported two PPP framework laws enacted in September 2015 and December 2016 respectively & key by-laws on the new model
- b. Supported new procedures on project screening, business case, risk matrix, procurement rules and standard contract
- c. Supported contingent liability framework for PPPs
- d. $1.25b IBRD financing with deferred drawdown option supported reforms (2016)

**CAPITAL MARKETS**

**World Bank** initiated a capital markets program on critical aspects to increase financing options in local currency:

- a. Government debt market program (since 2015)
- b. Non-government debt market program (since 2011 first phase, second phase started in 2015)

**CREDIT ENHANCEMENT**

**World Bank** supporting development of financial instruments aimed at “de-risking” projects & transition to market based risk allocation system

**DOWNSTREAM**

**World Bank** (multi-GP), IFC & GoP to identify demonstration transactions in water, health, education, roads and energy sectors. (Expected Sept/Oct 2017)

Enhancing sustainability of private sector investments in infrastructure became a full-fledged objective in WBG’s Country Partnership Framework for 2017-21

*Last Updated: July 2017*
Kenya: Infrastructure Finance

**Upstream: Developing a pipeline of bankable PPP projects and engaging institutional investors on financing PPPs**

*World Bank Infrastructure Finance PPP Loan 1 - 2012 (US$ 40 million)*
- Supported establishment of modern PPP Law and institutional framework
- Built capacity of PPP unit
- Financed feasibility studies for first-mover transactions
- Created diverse PPP pipeline

*World Bank Infrastructure Finance PPP Loan 2 - 2017 (US$50 million)*
- Support development of county PPPs
- Operationalization of a project facilitation fund, which will eventually finance the viability gaps in some projects to make them bankable

*World Bank Guarantee Operation on 1st Toll Road PPP (expected early 2018)*
- First mover sizable PPP is Toll Road between Nairobi-Nakuru-Mau Summit. $700 M Project at RFP stage.
- Objective of guarantee to crowd-in local institutional investors to provide long-term local currency financing

TO DATE

Strong pipeline of:
- 67 PPP projects
- Multi-sector 11 projects in procurement
- 7 commercial contracts signed

Estimated US$10.4 billion of private investment to be mobilized from front-runner transactions

**Downstream: IFC/MIGA participation in projects**

*IFC/MIGA*
- IFC and MIGA engaging with pre-qualified sponsors to support first mover Toll Road PPP project

*IFC may support the establishment of the investment vehicle to pool institutional investors*

Last Updated: November 2017
Turkey: Power

World Bank Group Support to Turkey Energy Sector

- 1998: $270m Reform TA, Transmission Expansion Loan
- 2004: 40% market liberalization
- 2005: $66m Transmission on Electricity market
- 2006: $202m Renewable Energy (RE)
- 2007: $475m Transmission, Electricity market. Gas sector Development
- 2008: $269m Distribution Loss Reduction
- 2009: $220m Transmission, Electricity market $700m Sector DPL
- 2010: $550m RE and Efficiency (EE) $800m Sector DPL
- 2011: $500m RE and EE
- 2013: $600m Sector DPL
- 2014: Fully competitive market
- 2015: $555m EE, Transmission RE integration
- $400m Gas sector development

US$ millions of private commitments

- Distribution
- Generation

Turkey: Power

TOTAL WBG ENERGY SECTOR SUPPORT TO TURKEY POWER SECTOR

$3.5 billion in Investment and T.A. lending
$2.1 b Sector Policy Financing

$5.6 billion

TOTAL PPI IN TURKEY POWER SECTOR OVER 16 YEARS

Total PPI in Turkey Power Sector over 16 years
92% in last 8 years, 10 years after 1st World Bank Group Sector Reform Loan & Transmission investment

$55.4 billion
Cameroon: Power

**INSTITUTIONAL FRAMEWORK**
- **World Bank** advised government on the Electricity Law of 1998, which introduced private sector participation, established a sector regulator and a rural electrification agency
- Privatization of SONEL, state-owned power utility

**TRANSMISSION**
- **World Bank** supported operationalization of transmission company SONATREL (2015) + implementation of Least Cost Transmission Investment Program
- IBRD Electricity Transmission and Reform Project (US$325m) approved in December 2016

**GENERATION**
- **EDF/IFC/WB**
  - 1st Hydro IPP
  - Nachtigal hydropower plant (Expected commissioning in 2021)
  - $300m IBRD guarantee
  - Approx $100m IFC equity

**RESULTS TO DATE**
$969 Million in Total Private Investment

**DOWNSTREAM**
- IFC transaction advisory for SONEL privatization
- IFC acted as lead arranger for a €250m syndicated loan for AES SONEL to fund a post-privatization investment program

**INSTITUTIONAL FRAMEWORK**
- **World Bank** advised government on the New Electricity Law (2011/022) – which paved the way for creation of new publicly owned transmission company (unbundling of the sector)

**Total private investment ($ millions)**

<table>
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<tr>
<th>Year</th>
<th>AES SONEL</th>
<th>AES SONEL</th>
<th>AES SONEL</th>
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<tbody>
<tr>
<td>1998</td>
<td>$39.8m</td>
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<td>$440m</td>
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<td>1999</td>
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Last Updated: July 2017
RESULTS TO DATE

$2.45 billion total private investment mobilized

1st long-term commercial loans for private power plants in Kenya

**Electric Power Act**
- Created sector regulator ERB & unbundled generation from transmission and distribution resulting in restructuring and commercialization of KPLC & KenGen

**Energy Act (2006)**
- Established single sector regulator ERC and partially privatized KenGen

**Public Private Partnership Act**
- Operationalized

**New Energy Bill (in Parliament)**

**ID/IBRD**
- $125m IDA credit to support energy sector reforms and unbundling of generation

**IBRD**
- Creation and institutional support for PPP unit
- $40m loan to support PPP program

**CAPITAL MARKET/CREDIT ENHANCEMENT**
- IBRD
  - Government and non-government bond markets advisory for greater efficiency and price reference
  - Strengthening of institutional investor base

**IDA**
- Investment to expand electricity access and deepen investment in green energy
  - $398m IDA credit
  - $8m GPOBA grant

**IDA/SREP**
- To improve KPLC’s financial situation, finance new connections and support TA
  - $250m IDA credit
  - $200m IDA guarantee to enhance KPLC’s credit quality to enable it to raise $500m in new commercial debt
  - $8m grant from Climate Investment Fund’s Scaling up Renewable Energy Program (SREP)

**IDA/IFC/MIGA**
- 4 IPPs developed and financed by private sector
  - $135m IDA guarantees
  - IFC provided long term financing for 2 of 4 IPPs
  - MIGA Breach of contract PRG for 4 IPPs

**ID/IBRD/IFC/MIGA**
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**UPSTREAM**
- IBRD
- IDA
- IDA/IBRD
- IDA/IBRD/IFC/MIGA

**DOWNSTREAM**
- IDA/SREP
- IDA/IFC/MIGA
- IDA/IBRD

**Last Updated: April 2017**
Myanmar: Power

**RESULTS TO DATE**

Myingyan is the 1st IPP project in Myanmar to be awarded through international competitive bid.

**UPSTREAM**

World Bank Group
Prepared Interim Strategy
Note to guide WBG’s activities as part of re-engagement with Myanmar

**SECTOR PLANNING AND REFORM**

World Bank/IFC
- Preparation and $400m IDA credit of National Electrification Plan (2014/2015)
- TA for financial viability and institutional development of power and gas sectors
- Supported government in committing to systematic increase in retail tariffs to achieve full cost recovery for power sector
- Supporting MOEE to improve efficiency in power distribution and corporatization of YESB

**DOWNSTREAM**

World Bank
$140m IDA credit to refurbish Thaton gas-fired power station (Approval date: 2013)

IFC
IFC Transaction advisory support for competitive procurement of 225MW Myingyan IPP

IFC/ADB/AIIB/MIGA
Loan and guarantee are expected for Myingyan IPP (Financial close – May 2017)
- $57m committed by IFC & $20m sell down to AIIB
- $20m AIIB loan
- $42.2m ADB loan

**EXPECTED INVESTMENT**

Myingyan IPP - Expected $310m investment

Last Updated: August 2017
Pakistan: Power

World Bank Group Support to Pakistan Power Sector

- 2006 RE Policy
- 2006 RE $400m Loan and Equity for 6 power projects (1.8GW) for utility, 2 hydro, 2 gas and wind IPPs
- MIGA - $148.5m coverage for a hydro IPP
- 2007
- IFC - $600m DPC for power sector reforms
- IBRD - $735m for T4HP hydro project
- 2011
- IDA - $500m 2nd DPC
- 2012
- IBRD - $390m AF to T4HP (AIIB co-financing $300m)
- IFC - $125m equity in 3GW RE platform & $25m debt and equity in 50 MW wind IPP
- 2014
- IDA - $588m IDA credit + $460m IDA PCG for Dasu Stage 1
- IFC - $755m in 2 hydro and 3 wind IPPs + 1st LNG terminal
- MIGA - $83m coverage for Gulap power
- 2015
- 2016
- 2017

WBG Pakistan Transformative Energy Initiative

Future:
- $425m National Transmission Modernization Project
- $300m Pakistan Solar and Renewable Energy Program

US$ millions of private commitments

- Distribution
- Generation

Last Updated: July 2017
South Africa: Renewable Energy & LNG-to-Power

**CAPITAL MARKET/CREDIT ENHANCEMENT**

- **IBRD/TRE**
  - Advisory on Government bond markets for greater efficiency and price reference (electronic trading platform)
  - Advisory on contingent liability framework, including PPPs.
  - Advisory to Government on assessment and management of contingent liabilities from sovereign guarantees (scorecard for electricity utilities to improve assessment of credit risk)

**UPSTREAM**

- IBRD
  - Advisory to IPP Unit on Re-financing of RE
  - Advisory on sustainability of BEE shareholders in energy sector: broadening base, liquidity and financing costs.
  - Advisory to NT and JSE on framework for listed Project Bonds

To start in October 2017:
- Engagement and training to prepare domestic Asset Managers to invest in LNG-to-Power
- Advisory on unlisted capital markets instruments for LNG-to-Power

**INSTITUTIONAL FRAMEWORK**

- Independent Power Producers Procurement Programme (IPPPP) established to enhance SA power generation capacity
- New Generation Regulations, announced under ERA, enable new capacity determinations

**RESULTS TO DATE**

USD 14 billion investments in RE IPPs

Investment in RE ($ millions)

- 341 million investment in four REIPPP projects: Kaxu (2012); Khi CSP (2012); Amakhala Wind (2013); Xina CSP (2015)

Last Updated: June 2017
Jordan: Renewable Energy

**LEGAL/REGULATORY FRAMEWORK**
- WBG & other MDBs
  - Supported GoJ in passing Renewable Energy & Energy Efficiency Law to facilitate private sector investment in RE IPPs

**IFC/World Bank**
- IFC supported financing of privatization of government-owned generation and distribution assets
- $6m mobilized by World Bank in funding from Global Environment Facility to help prepare a supportive environment for wind power projects

**RESULT TO DATE**
- Largest private sector-led solar project in the Middle East and North Africa
- 1st privately financed commercial scale renewables project in Jordan
- Contractual framework became prototype for Jordan’s RE sector

**UPSTREAM**
- World Bank provided $250m in loans to GoJ to improve financial viability and increase efficiency gains in the energy and water sectors

**DOWNSTREAM**
- Seven projects "the Seven Sisters" aggregated into single
- IFC arranged financing program
- $91.5m provided by IFC + $115m mobilized from regional and development banks
- MIGA political risk insurance
- Round 2 of PV program competitively tendered with record number of bidders

**TOTAL PRIVATE INVESTMENT ($ millions)**

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GoJ sets target to more than double the share of RE in its energy mix by 2020

Last Updated: May 2017
Morocco: Concentrated Solar Power (CSP)

RESULTS TO DATE

- 580 MW of power by 2018
- Share of RE in electricity generation to increase from 13% in 2013 to 52% by 2020
- Noor CSP plants will reduce carbon emissions by 760,000 tons per year
- Enabled emergence of a vibrant sector of local green companies to supply CSP components

Clean Technology Fund (CTF): multi-donor trust fund providing countries with resources for scaling up low carbon technologies

Last Updated: August 2017