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***The role of the World Bank in the
changing development finance
landscape***

Athens, Greece

February 27th 2020



Outline of the presentation

1. The World Bank Group (WBG) – an overview
2. The changing development landscape
 - ❑ The 2030 Agenda for Sustainable Development and its SDGs
 - ❑ The Hamburg Principles (G20 response)
3. The World Bank Group response
 - ❑ The 'Billions to Trillions' strategy and the cascade
 - ❑ The focus on de-risking and creating markets. Examples of success stories:
 - Deepening West Africa's Housing Finance Market
 - Creating Solar Power at Scale in India
 - Mazar-e-Sharif Gas-to-Power Project in Afghanistan
4. WBG procurement to Greek companies

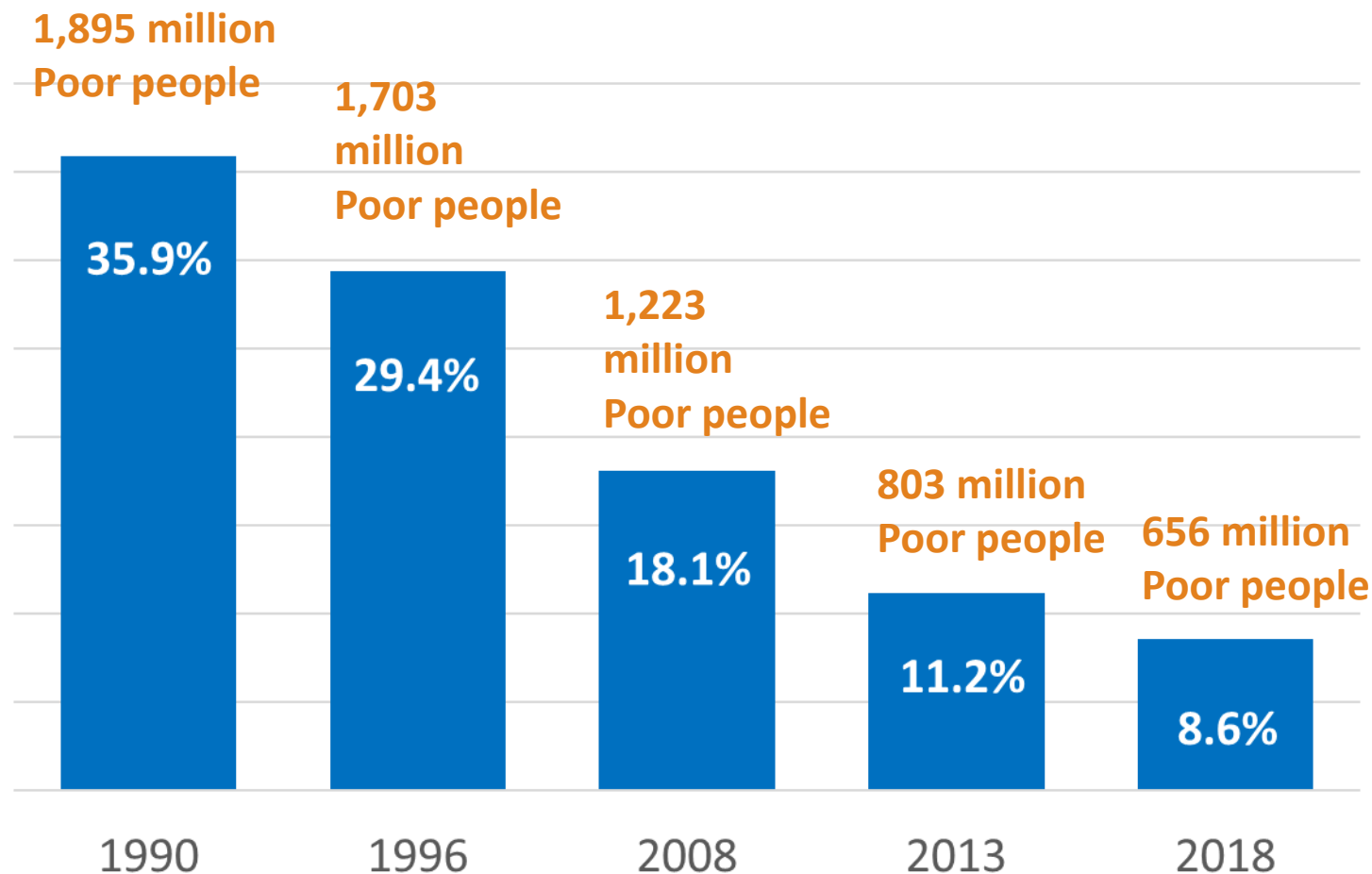
Outline of part 1

1. The World Bank Group (WBG) – an overview

- What it does
 - The twin goals
- How it operates
 - working with governments
 - working with the private sector

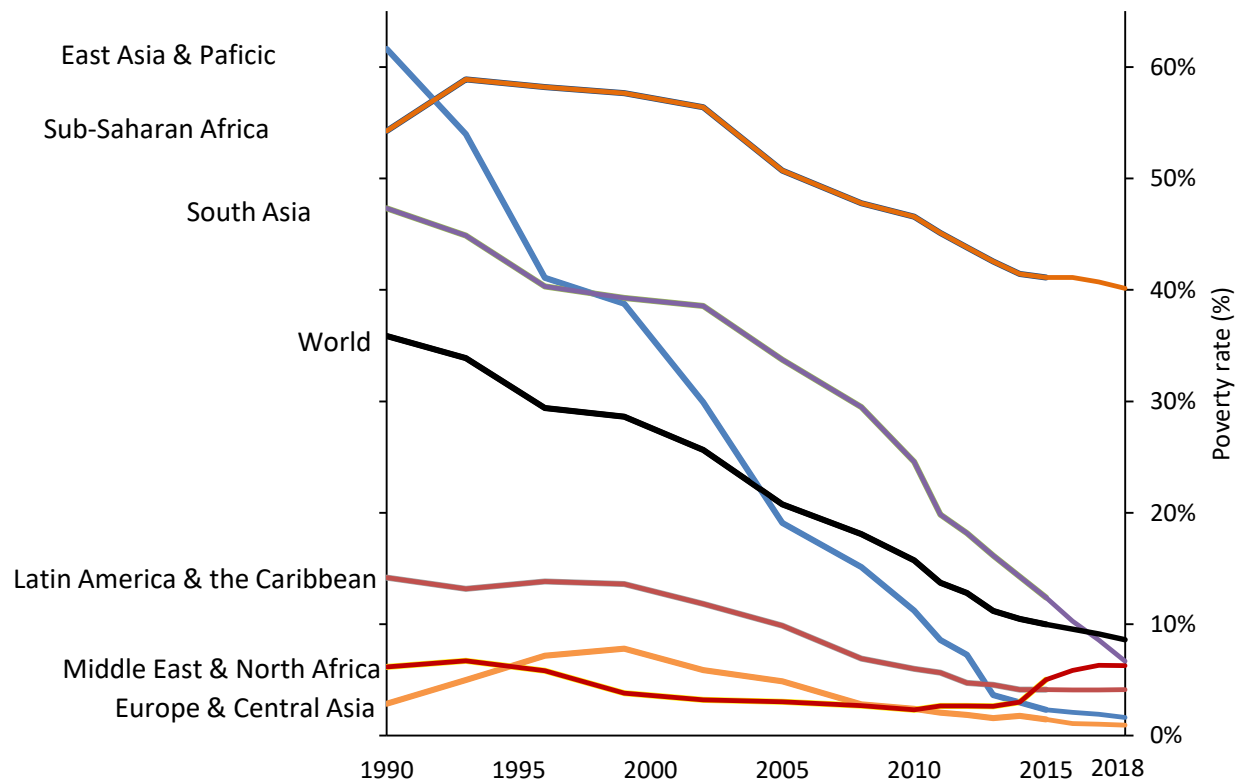
Goal 1: End Extreme Poverty

(below 3% by 2030)



The Global Poor

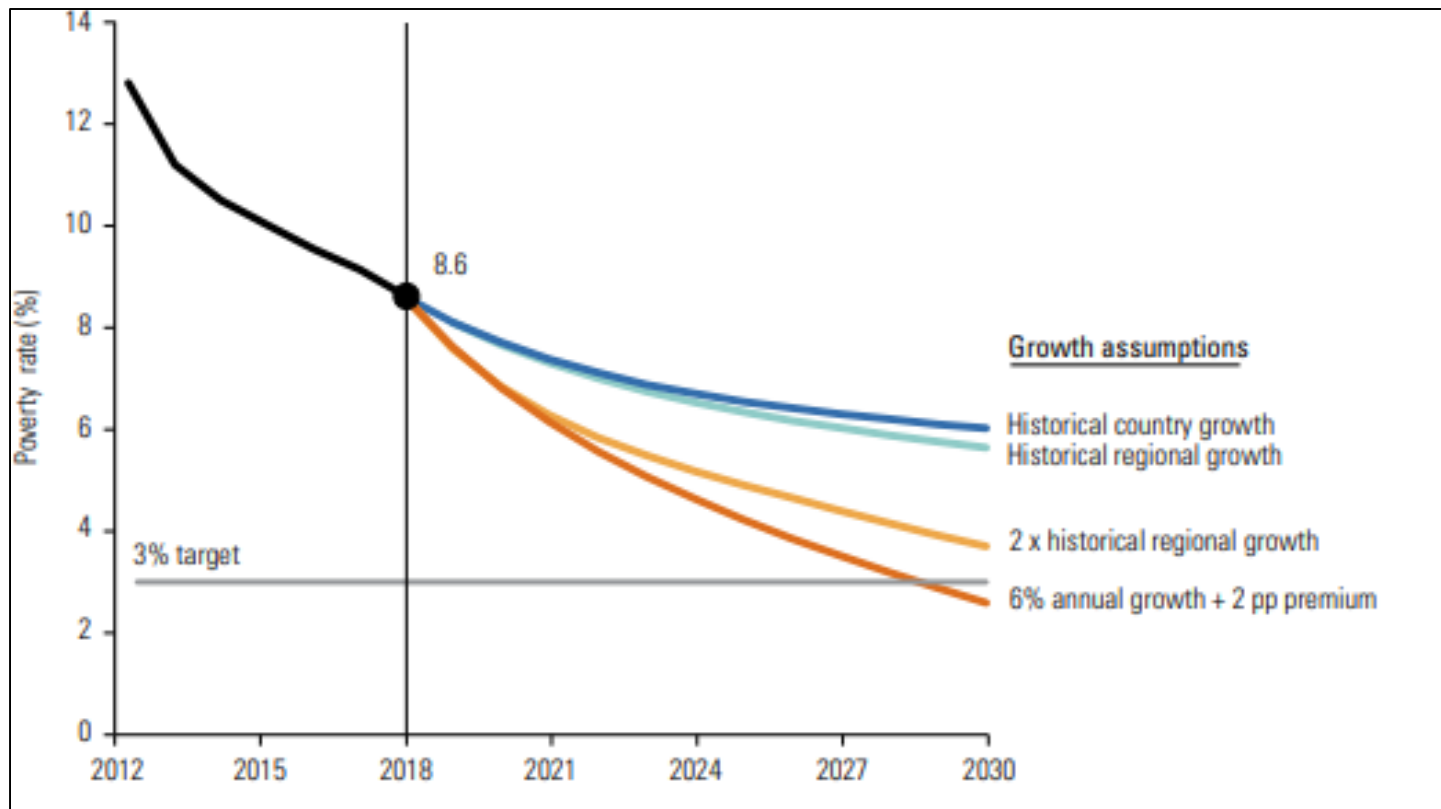
Extreme Poverty: Regional and World Trends



Goal 1: End Extreme Poverty

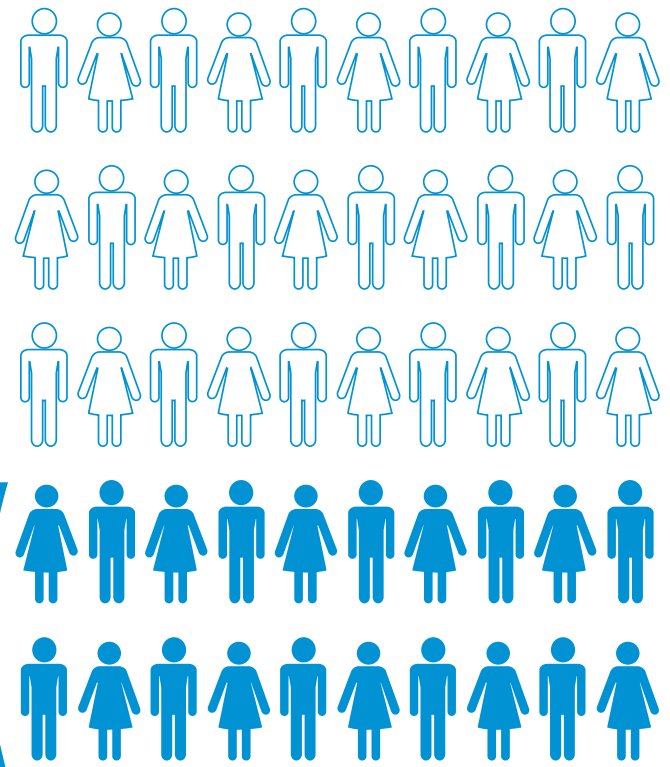
(below 3% by 2030)

Projections to 2030 of global extreme poverty



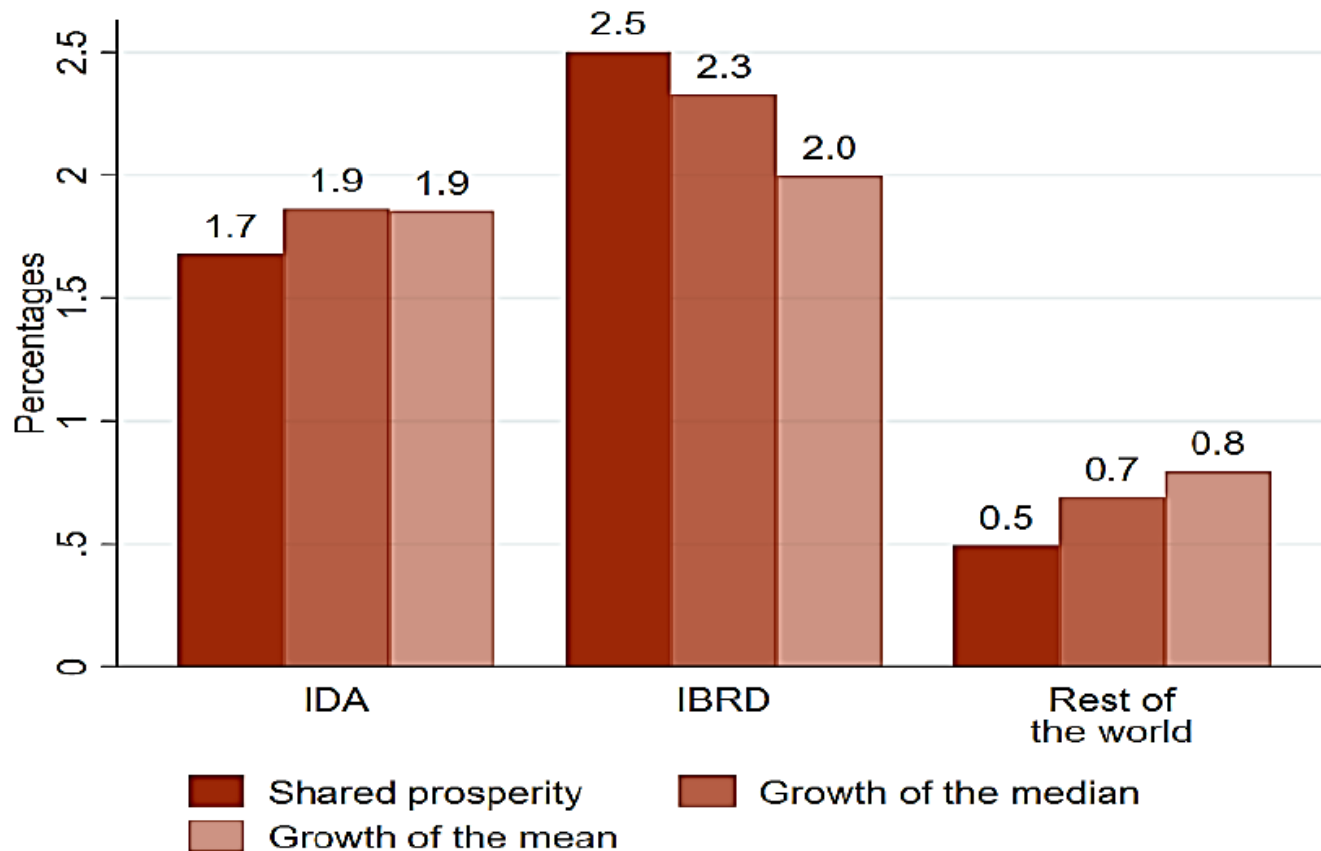
Goal 2: Boost Shared Prosperity

INCOME GROWTH
OF THE BOTTOM 40%



Shared Prosperity: The bottom 40%

Simple averages of shared prosperity, and growth of mean and median incomes circa 2011-2016



The World Bank Group



GOVERNMENTS

PRIVATE SECTOR



IBRD

Middle Income
Countries

IDA

Low Income
Countries

IFC

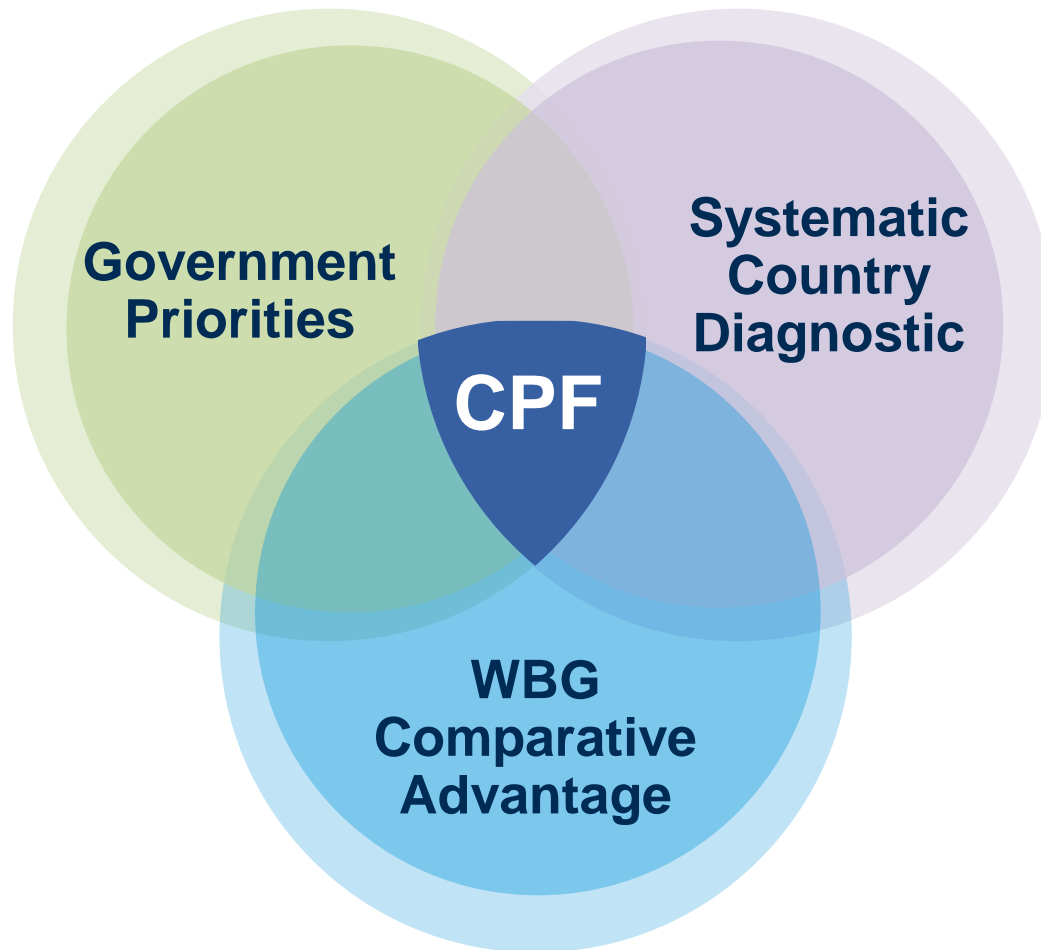
Foreign and Local Investors

MIGA

ICSID

Tribunal

Country Approach & Engagement



Working with Governments

MIDDLE INCOME

Borrows \$
by selling bonds

IBRD

Cost of borrowing
+ Bank spread
up to 35 years

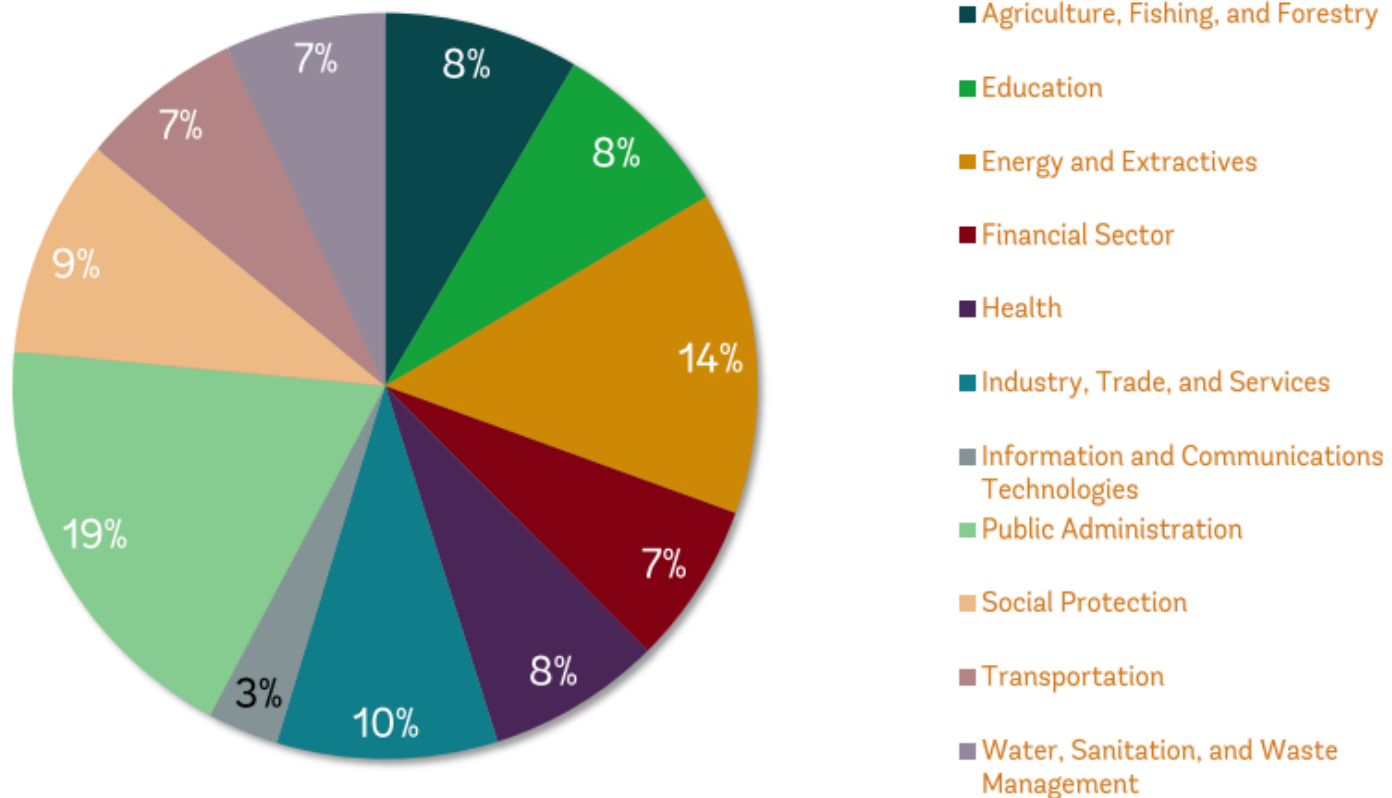
LOW INCOME

Donors, Markets,
IBRD/IFC
and Repayments

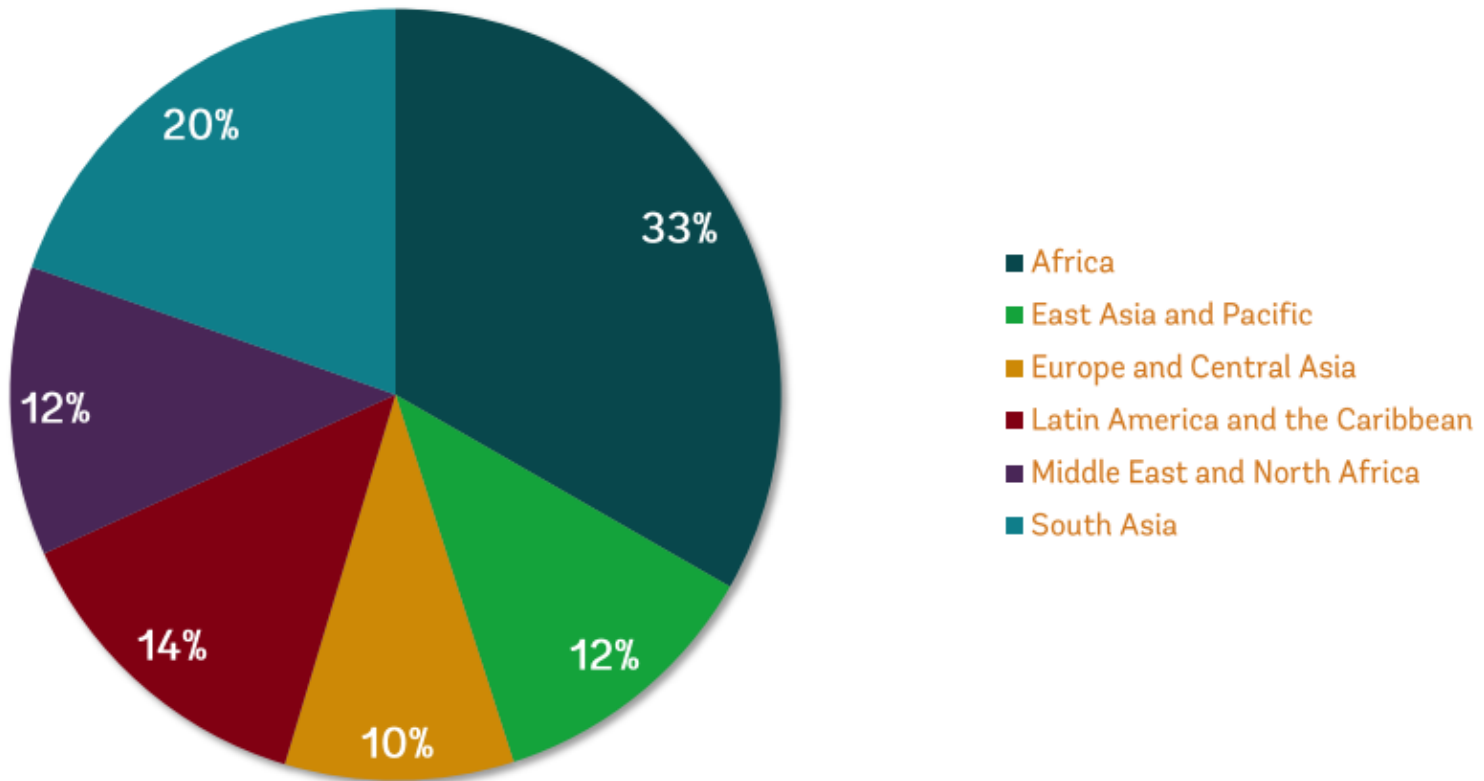
IDA

0%
up to 38 years,
6 year grace

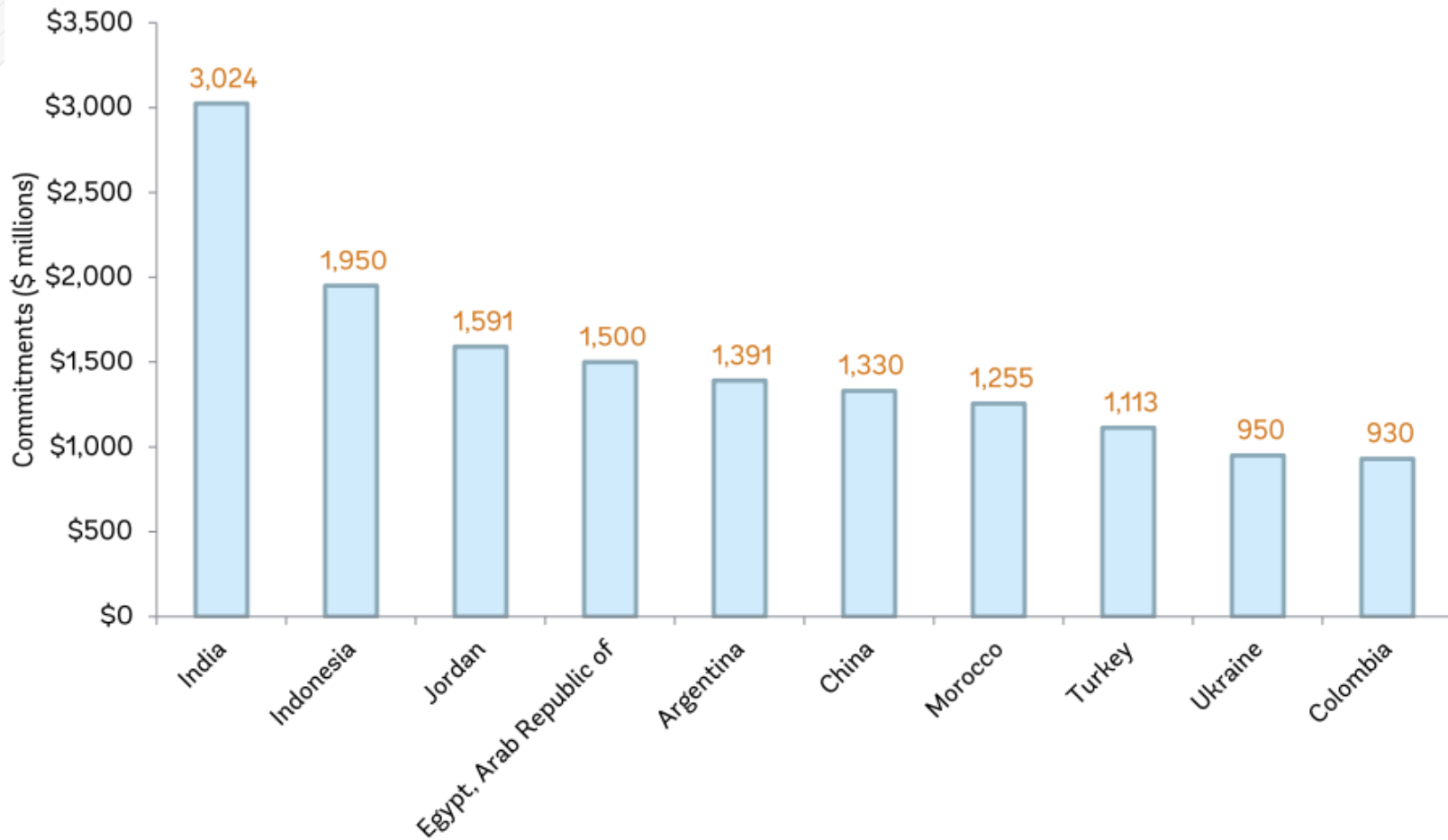
FY19: US\$45.1 bn IBRD/IDA commitments By Sector



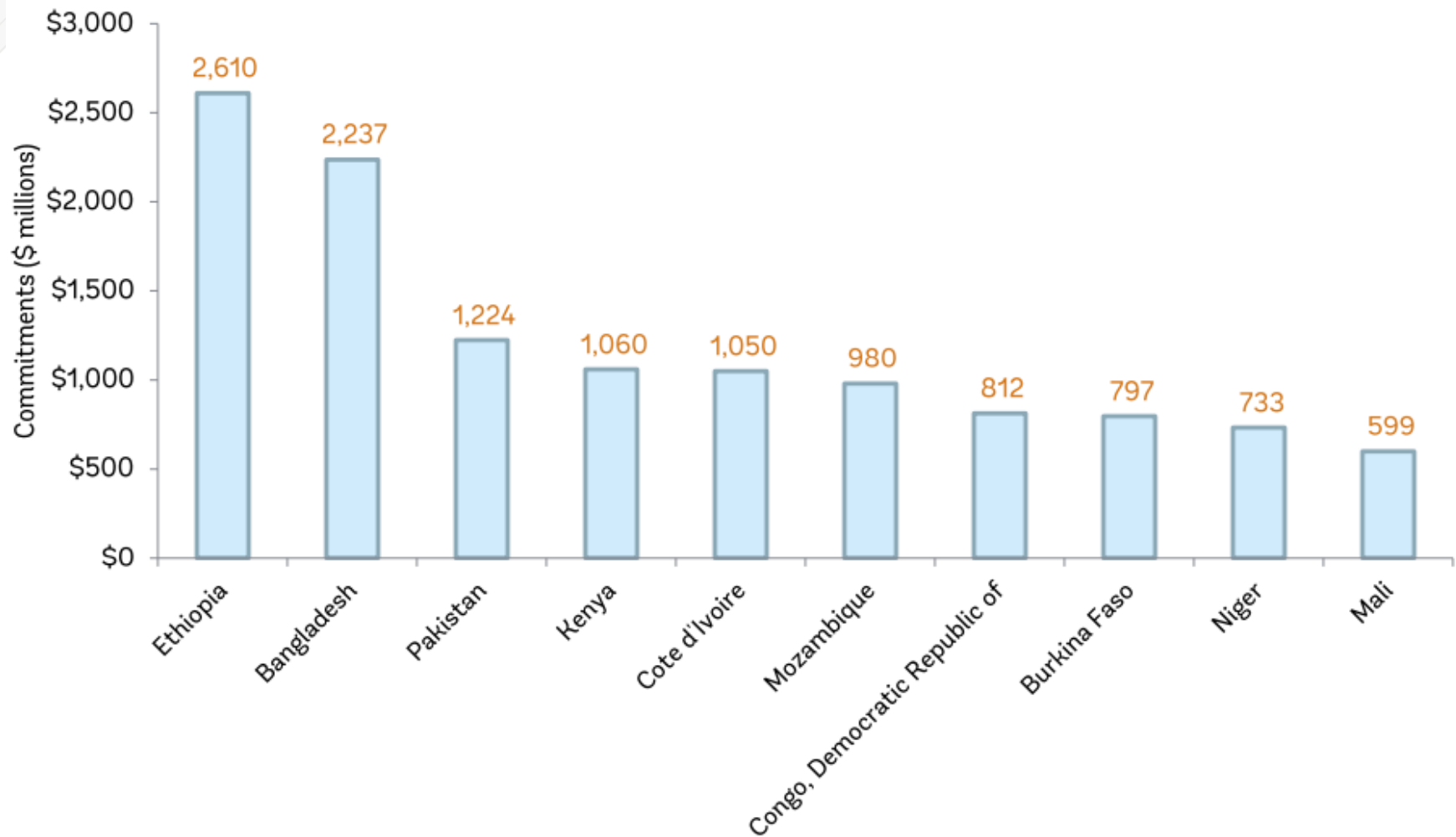
FY19: US\$45.1 bn IBRD/IDA commitments By Region



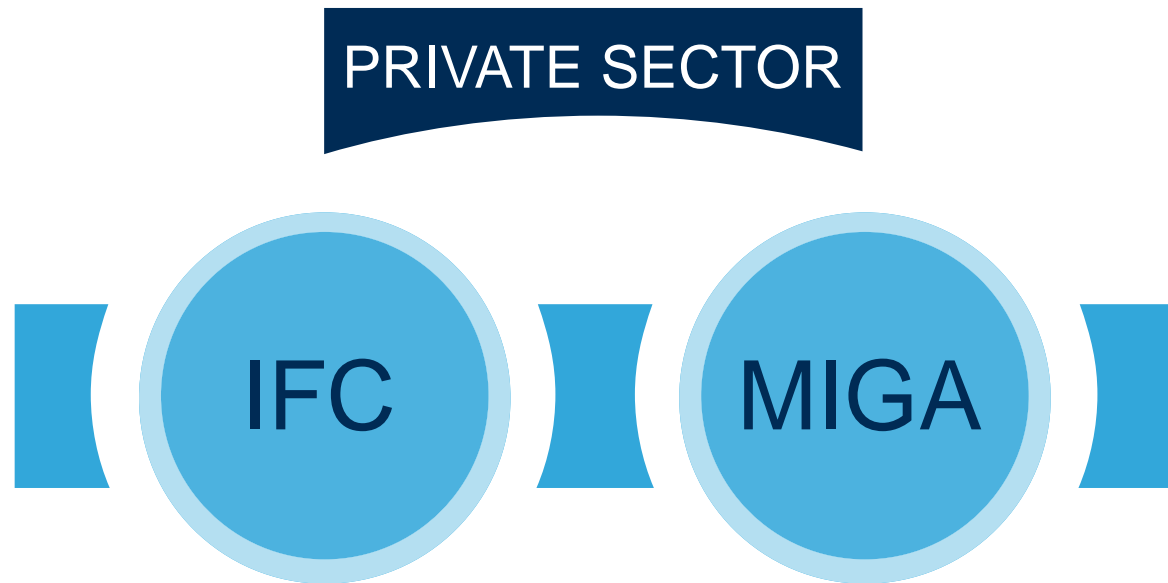
IBRD Top Borrowers



IDA Top Borrowers



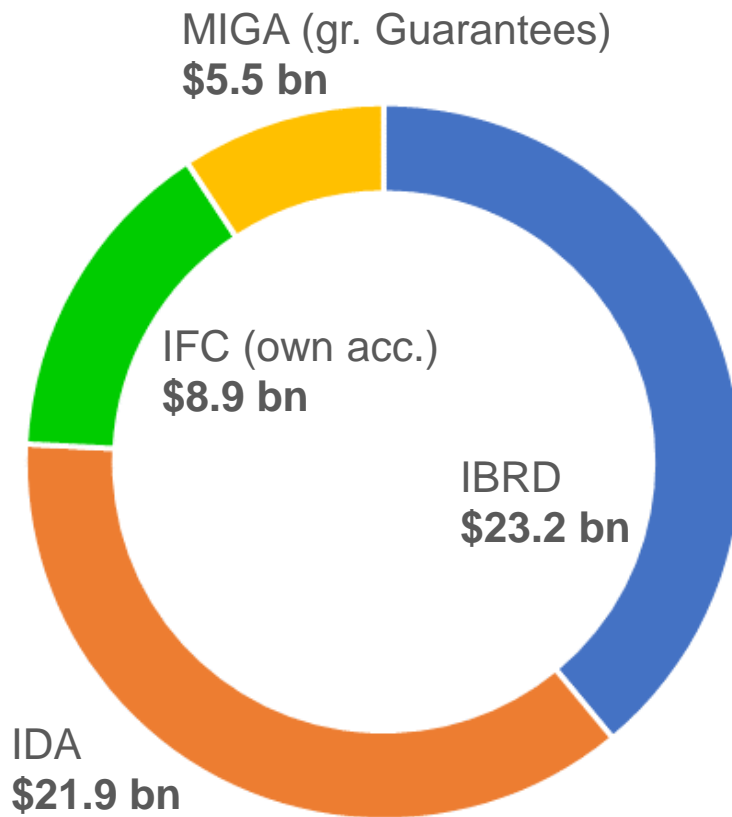
Working with the Private Sector



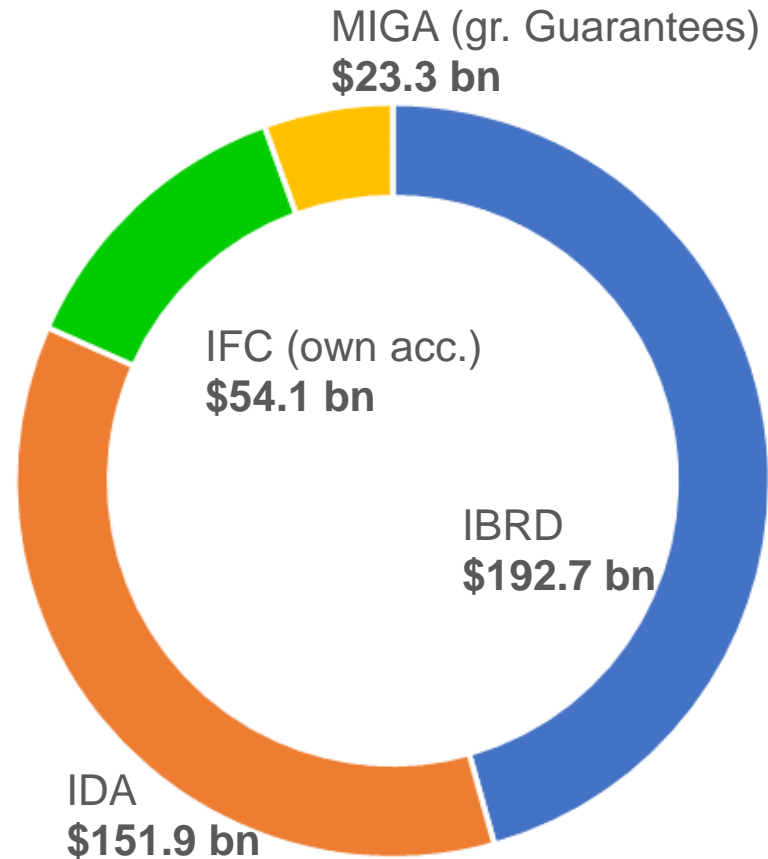
Foreign and Local Investors

FY19: US\$ 59.5 bn WBG new commitments and US\$ 422 bn portfolio

New commitments in FY19



Portfolio as of end FY19



Outline of the part 2

2. The changing development landscape

- ❑ The 2030 Agenda for Sustainable Development and its SDGs
- ❑ The Hamburg Principles (G20 response)

3. The World Bank Group response

- ❑ The 'Billions to Trillions' strategy and the cascade
- ❑ The focus on de-risking and creating markets. Examples of success stories
 - Deepening West Africa's Housing Finance Market
 - Creating Solar Power at Scale in India
 - Gas-to-Power Project in Afghanistan

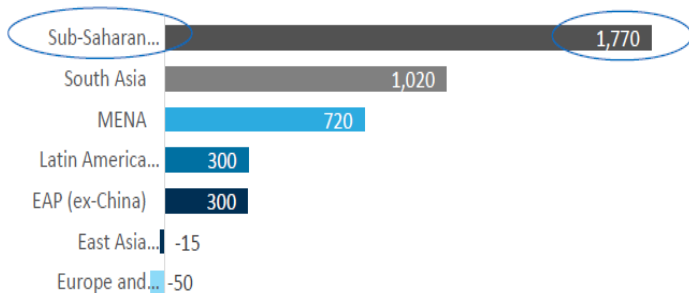
The new development goals



Meeting development goals requires increased financing and managing global risks

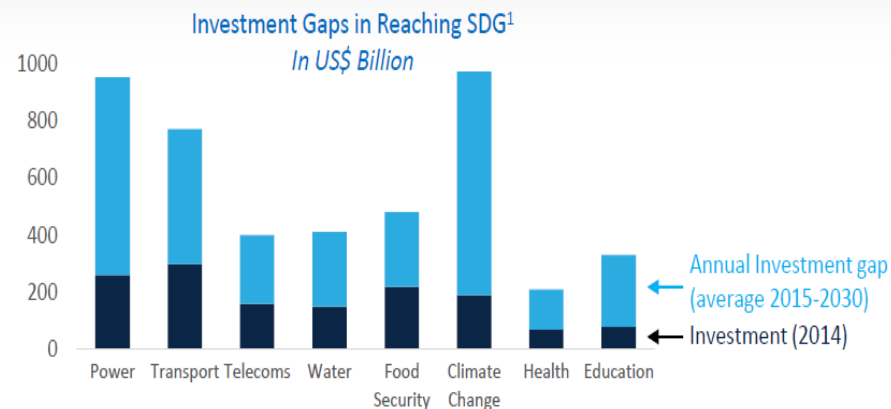
More than 3 million new jobs are needed every month in Africa, MENA and South Asia...

Increase in working age population per month
Over the next 15 years, thousands



Source: World Bank and United Nations Population Division's World Population Prospects

\$3 trillion per year are needed to reach SDG goals, including ...



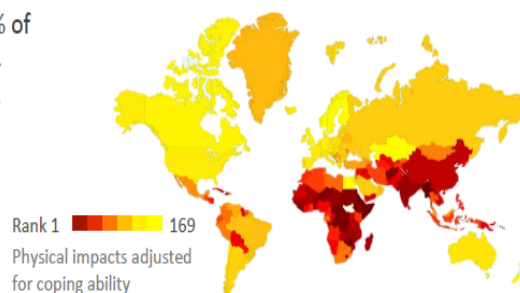
Source: World Bank Group. 2017. Global Economic Prospects, January 2017

Trillions of investments needed to mitigate and adapt to climate change ...

MIC and Mitigation

- UMIC emitted 45% of global CO₂ in 2014
- LMIC emitted 12%

Adaptation - Vulnerability to climate change



Source: Center for Global Development, "Quantifying Vulnerability to Climate Change"

Increased fragility and conflicts that are not contained by borders...



More countries experienced violent conflict in 2016 than at any time in nearly 30 years.



65.6 million people forcibly displaced globally.



Fragility threatens to slow – or reverse – recent gains in poverty reduction. If current trends persist, by 2030, more than half of the world's poor will live in countries affected by high levels of violence.

Source: UCDP/PRIO Armed Conflict Dataset - UNHCR Global Trends 2017, as of end-2016 - OECD 2015

The Hamburg Principles on Crowding-in Private Finance

- ❑ In April 2017, the G20-IFA WG identified *The Principles of MDBs Strategy for Crowding-in Private Sector Finance for Growth and Sustainable Development* (the Hamburg Principles), which provide a common framework for MDBs to maximize the mobilization of private sector resources to support countries with the implementation of the 2030 Development Agenda
- ❑ The *Joint MDB Statement of Ambitions for Crowding in Private Finance* collectively committed the MDBs to increase overall private sector mobilization by 25-35% over the next three years
- ❑ The G20 Hamburg Action Plan endorsed the Hamburg Principles and Ambitions, and encouraged further work to better assess and foster additionality.

Billions to Trillions

Leveraging Private Finance

\$9

TRILLION

ASSETS HELD
BY THE WORLD'S
TEN LARGEST
PENSION FUNDS

\$8

TRILLION

ASSETS HELD
BY THE WORLD'S
LARGEST
INSURANCE
COMPANIES

\$6

TRILLION

ASSETS HELD
BY THE WORLD'S
LARGEST SOVEREIGN
WEALTH FUNDS

\$103

TRILLION

GLOBAL BOND
MARKETS

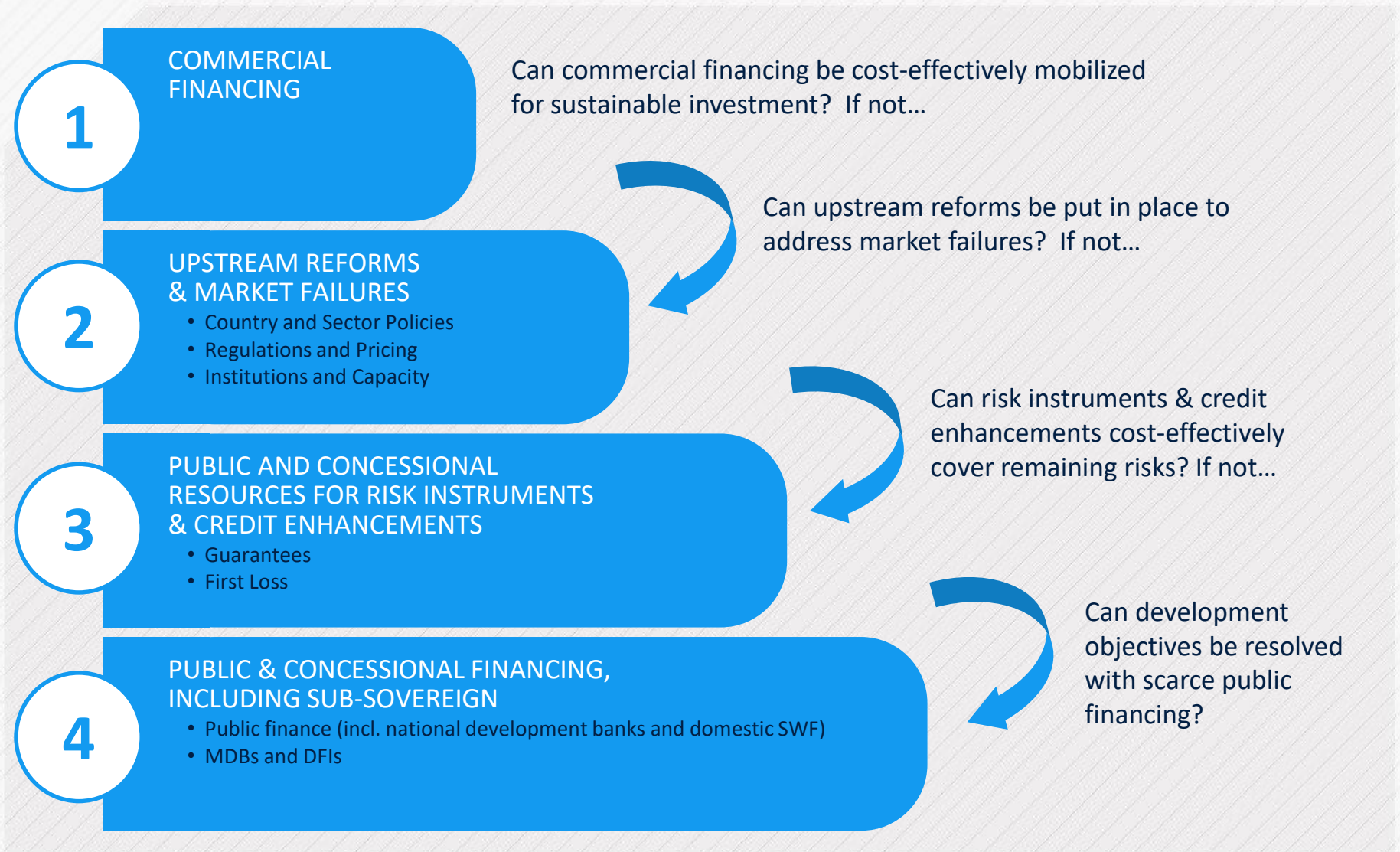
Creating markets – multiplying impact of WBG resources and opening opportunities for the private sector

The SDGs will not be achieved without the enhanced participation of the private sector

"Creating markets" is a proactive and strategic approach that aims to develop new markets or systemic changes to markets that deliver sustainable development impact. It requires attracting the private sector as a financier, operator or service provider in SDG relevant areas.

Covers a range of activities, from addressing policy and legal frameworks to improving how existing, but underperforming markets work by enhancing competition, innovation, integration and skills.

The Cascade: WBG approach to sustainable financing

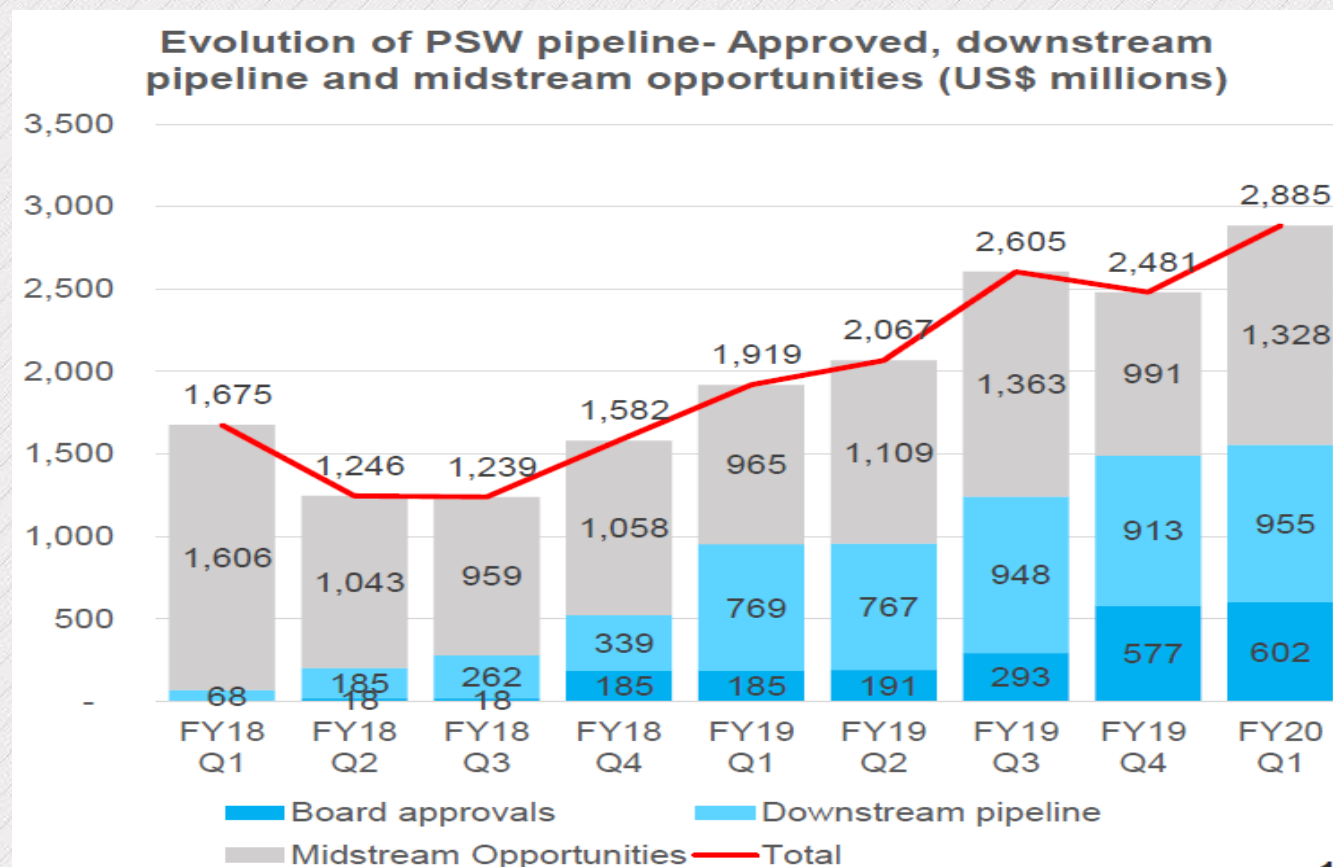


De-risking projects and countries: IDA PSW

The PSW is deployed through four facilities:

- **Risk Mitigation Facility (RMF)** to provide project based-guarantees without sovereign indemnity to crowd-in private investment in large infrastructure projects and public private partnerships (PPPs) supported by IFC;
- a **MIGA guarantee Facility (MGF)** to expand the coverage of MIGA guarantees through shared first-loss and risk participation akin to reinsurance;
- a **Local Currency Facility (LCF)** to provide long-term local currency investments in countries where capital markets are not developed and market resolutions not sufficiently available;
- and a **Blended Finance Facility (BFF)** to blend PSW support with IFC investments across sectors with high development impact.

De-risking projects and countries: IDA PSW



Example of the use of PSW/1: West Africa's Housing Finance Market

In the West African Economic and Monetary Union (WAEMU):

- Population growth and urbanization require 800,000 new housing units each year
- Less than 7 percent of households can afford purchasing a home via a mortgage at current financing conditions
- Banks have limited ability to raise longer-term capital and can only offer short maturity mortgages (typically up to 8 years)

WBG support through the IDA18 IFC-MIGA Private Sector Window:

- IFC buys long-term local currency bonds issued by regional mortgage refinancing company CRRH, enabling the member banks to increase mortgage lending at longer maturities and lower rates
- Upstream, IFC provides technical assistance to support the construction of cheaper housing
- IBRD makes smaller loans at concessional terms (not profitable for CRRH)
- IDA underwrites a 30-year subordinated loan to strengthen the capital base of CRRH and increase lending to low-income borrowers segments
- IDA provides a direct grant to the West African Development Bank for micro-housing, home construction and development of a regional guarantee fund
- WBG support, CRRH works with government and regulatory bodies on mortgage market reforms

Example of the use of PSW/2: Developing Nepal's hydropower

- Nepal lacks access to electricity and imports 1/3 of its energy
- Very large potential hydropower generation could cover both domestic power needs and regional exports
- high risks of large-scale, long-term projects deter much needed FDI

The Trishuli River hydropower plant will provide 216 MW

- The WBG provides technical assistance to reform and strengthen the energy sector
- IFC provides equity and organizes syndicate of international lenders
- Large foreign investors provide capital and technical expertise
- MIGA 15-year insurance for capital providers and senior lenders allows competitive tariff of US\$5.1/kWh
- high standards in corporate governance, environmental impact, social inclusion, results measurement, transparency, integrity
- project to achieve estimated average mobilization of 64%

Example of the use of PSW/3: Mazar-e-Sharif Gas-to-Power Project in Afghanistan

- Afghanistan is a low-income, conflict affected country with inadequate infrastructure and a significant need for power and private sector investment
- Political risk insurance products are non-existent at an affordable price
- PPPs can help develop energy generation through gas, hydro, wind and solar

404 GWh gas-powered energy plant will provide 28% of domestic energy at an average tariff of 9 USD cents /kWh

- IDA PSW provides risk mitigation for US\$96.6 million to 2 private shareholders (Ghazanfar group and Mytilineos Holdings) and 2 long-term lenders (IFC and German DEG)
- The IDA Payment Guarantee mitigates the off-taker risk related to the uncertain gas supply
- METKA to run engineering, procurement and construction (EPC) operations
- WBG supports sectoral reforms, capacity building, training, engineering oversight and quality control and promotes high standards of corporate governance, environmental impact, social inclusion, transparency
- demonstrates the economic viability of a private sector infrastructure project in Afghanistan

Contracts awarded to our constituency companies as part of the WBG projects FY11-19

	CIVIL WORKS		GOODS		CONSULTANT SERVICES		NON-CONSULTING SERVICES		TOTAL CONTRACTS	
	\$ million	share of total	\$ million	share of total	\$ million	share of total	\$ million	share of total	\$ million	share of total
Albania	50	0.1%	60	0.2%	15	0.1%	4	0.2%	129	0.1%
Greece	1,235	1.6%	5	0.0%	26	0.2%	3	0.1%	1,270	1.1%
Italy	2,880	3.8%	1,382	5.2%	271	1.7%	5	0.2%	4,538	3.8%
Malta	0	0.0%	0.078	0.0%	0	0.0%	0	0.0%	0.078	0.0%
Portugal	454	0.6%	36	0.1%	96	0.6%	28	1.2%	614	0.5%
Timor-Leste	2	0.0%	3	0.0%	8	0.1%	0.065	0.0%	14	0.0%
Total EDS21	4,621	6.1%	1,486	5.6%	416	2.6%	40	1.7%	6,565	5.5%
All countries	75,198	100.0%	26,555	100.0%	15,987	100.0%	2,354	100.0%	120,094	100.0%

Thank you for your attention!

