



AN INTEGRATED
WORLD BANK GROUP APPROACH

LEVERAGING THE PRIVATE SECTOR IN IDA COUNTRIES



The world's poorest countries have enormous needs for development finance—needs that can be met only when the public and private sectors work together.

The World Bank Group believes that broad, inclusive growth is central to ending poverty. This cannot occur without a thriving private sector. To achieve the results that are important to the poorest countries—from addressing climate change to filling large infrastructure gaps, from expanding access to basic services to promoting stability in fragile situations—it will be essential to build a dynamic private sector that complements public interventions.

The 2015 Addis Ababa Action Agenda challenged the global community to look beyond the public sector to catalyze the trillions of dollars of investment needed to achieve the Sustainable Development Goals.

New sources of finance, knowledge, partnerships, and innovation are opening new opportunities for the poorest countries.

Helping countries seize these opportunities and confront complex challenges demands close collaboration across the World Bank Group to engage and leverage the private sector in IDA countries.



38%

share of IDA's FY15 commitments focused on private sector development.

\$4.7 BILLION

annual IFC long-term investments in IDA countries—triple the amount invested in 2005.

39%

share of MIGA's outstanding portfolio, as of Sept. 2015, supporting private investment in IDA countries.





The World Bank Group Approach— Enhancing Synergies

The International Development Association (IDA), the World Bank’s fund for the poorest, is working to leverage and maximize the benefits of public and private sector synergies in a more systematic way.

We are doing this by tapping the combined strengths and comparative advantages of IDA, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA)—to enable IDA countries to have better access to a comprehensive package of support and to encourage greater private sector involvement.

World Bank Group synergies are being enhanced through work on joint projects, greater teamwork and information-sharing. Joint activities include:

- Working on Systematic Country Diagnostics and Country Partnership Frameworks to create a vehicle through which the individual project-level outcomes of each institution can be combined to create deeper impacts at the program or country level.
- Creating implementation plans that enable private sector development, especially in fragile and conflict-affected states.
- Expanding the range of IDA guarantee instruments to attract and leverage private resources.
- Catalyzing transformational investments while addressing bottlenecks to sustainable growth.

This emphasis builds on many years of World Bank Group collaboration that has yielded extensive results in many countries across a range of sectors.





The World Bank Group at Work in IDA Countries

Collaboration across IDA, IBRD, IFC, and MIGA has grown over time and spans a range of activities at the regional, country, sector and thematic levels. This includes the preparation of joint Country Partnership Frameworks, joint investment projects, notably for infrastructure and the financial sector, and joint advisory service and investment climate activities.

AFGHANISTAN:

IDA, IFC and MIGA have helped turn around a barely functioning **telecom** sector following decades of conflict. As of 2015, 20 million people have access to a phone compared with only 57,000 functioning phone lines in 2002. The Bank Group came together to create an environment where change could flourish and encouraged the private sector to jumpstart investment. IDA financed the digital transmission

network, the World Bank and IFC helped the government reform the policies and regulations needed to attract private investment, and MIGA came in with a guarantee to support the mobile operator against noncommercial risks. IFC provided a \$65 million loan to Roshan, Afghanistan's largest mobile network operator, to support the roll-out of a 3G network, bringing the Internet to Afghans across all 34 provinces. Roshan expects to cover 80 percent of the population in five

years and expand mobile banking services to help local businesses grow.

BURUNDI:

IDA and IFC provided technical assistance to **reduce the compliance time and costs of paying business taxes** by 10 percent; simplify the tax regime for small and medium-size enterprises; expand the tax base; and align the tax-incentives regime with East African Community standards. The reforms included

the establishment of a one-stop-shop for facilitating business in 2012, and reduction in the time required for business registration from 14 to 8 days. Costs dropped from 117 to 18 percent of GDP per capita and the annual number of registered companies more than doubled from 700 in 2010 to 1,500 in 2012.

CÔTE D'IVOIRE:

The World Bank Group is working together to **support the government's efforts to boost electricity output** by rebuilding the power infrastructure to meet the growing demand for electricity. To help modernize the Agito power plant, the World Bank helped put in place the necessary regulatory framework for investing in the sector, MIGA provided the political risk insurance to investors and IFC arranged a \$345-million package funded by the five European development finance institutions and the West African Development Bank. They also provided \$125 million of their own funds. At 427 MW, the plant is one of the largest thermal power plants in the region, easing power shortages and producing significant savings for Ivoirians. The modernized Agito plant will produce 50 percent more energy without using any additional gas and serve more than 2 million people. These improvements bode well for the region as Côte d'Ivoire becomes a power exporter to neighboring countries.

KENYA:

The Bank Group helped the private sector and the Kenyan

government work together on ways to increase much-needed access to **electricity** in a country where only 25 percent of citizens have access to power. An innovative public-private partnership between the World Bank Group, the government of Kenya, Kenya Power Lighting Company (KPLC), private investors, and commercial lenders has enabled successful financing for three independent power projects in Kenya that have helped expand the country's electricity grid. KPLC, the national power distributor is expanding its network to reach over half a million new households per year. The Kenya power projects are backed by unique packages of IDA-supported partial risk guarantees, paired with long-term debt and political risk guarantees from IFC and MIGA.

GHANA:

To help increase clean and affordable energy in Ghana, the World Bank Group is providing a \$200 million IBRD loan and a \$500 million IDA payment guarantee for the **Sankofa gas project**. The guarantees cover \$8 billion in private investment—a leverage factor of 11 to 1. The project will fuel up to 40 percent of Ghana's currently installed generation capacity and replace polluting fuels with cleaner, more affordable natural gas that is produced domestically. Ghana will be able to reduce oil imports by 12 million barrels per year and carbon emissions by around 8 million tons over five years. IFC has also helped increase Ghana's electricity



POWER IN AFRICA

The vast majority of Africans, roughly 65 percent, lack access to electricity. The World Bank Group is investing in transformational energy projects across the Africa region, providing reliable and affordable power supplies to aid business development; every \$1 invested in the power supply generates more than \$15 in incremental GDP. Hydropower is the world's largest source of renewable energy, and finding responsible ways to use Africa's vast hydroelectric potential can bring electricity to tens of millions of people who now live in the dark. By 2030, around 540 million people are projected to gain access to electricity, 500 million of those are in sub-Saharan Africa. Sub-Saharan Africa has 300 GW of undeveloped hydro potential, which is enough to nearly quadruple its total generating capacity of 80 GW. In contrast, Western Europe uses about 85 percent of its available hydropower potential.





generation capacity with financing for an efficient new gas-fired power plant. TICO 2 will account for about 15 percent of the country's total electricity output.

MYANMAR:

Only one in three households in Myanmar has access to **electricity**. Along with the government of Japan, the Asian Development Bank, and other partners, the World Bank Group is committed to helping the government increase the electrification rate to 50 percent by 2020. The World Bank Group is supporting an increase in generating capacity through a \$140 million IDA credit to help a natural gas-fired power plant double its output capacity while lowering emissions. To increase the efficiency of power distribution, IFC is engaging with power utilities in both Yangon and Mandalay to improve operations. Jointly, IFC and IDA are supporting the development of about 750 MW of new gas-fired power generation. The Myingyan project is the first competitively tendered independent power project in Myanmar. Upon commissioning in 2017, the power plant will be the largest private power plant in the country and is expected to help ease the country's power deficit by contributing to improved services for 1.5 million people. Reliable electricity in Myanmar is expected to play a vital role in helping people to overcome poverty by boosting income-generating activities and employment and enabling continuous and sustained industrial activity.

NEPAL

The Nepalese use less than 1 percent of the country's 83,000 MW in **hydropower** potential. The World Bank Group is helping Nepal work toward its goal of increasing hydro-generated power from 700 MW to 4,000 MW. Approved in July 2015, the World Bank Group-backed Kabeli-A Hydroelectric Project aims to add hydropower generation capacity to supply the Nepal Electricity Authority grid through public-private investments. Under this umbrella project, the World Bank Group is providing support for the 900 MW Upper Karnali hydropower plant using a range of IFC, IBRD/IDA, and MIGA financing and risk mitigation instruments. 12 percent of the power generated will be provided free of cost to Nepal.

PAKISTAN

The Pakistan Energy Initiative is part of the much larger **transformational Pakistan Power** project, which aims to close the large and growing power gap in Pakistan. This joint initiative—the largest of its kind—seeks to mobilize \$10 billion to support the sector with a mix of public and private projects. The World Bank, IFC, and MIGA have worked closely on strengthening the overall investment climate, paving the way for additional investors in what has been a challenging investment climate.







Strengthening Joint Approaches across IDA, IBRD, IFC, and MIGA

The Bank Group is taking a number of important steps to optimize its value proposition and to further mobilize private sector involvement in IDA countries.

Joint implementation plans: The Bank Group is currently developing joint (IDA-IFC-MIGA) plans in roughly 20 IDA countries during the IDA17 period (July 1, 2014–June 30, 2017), covering a range of interventions—including support for women’s economic empowerment, sustainable cities/green buildings, climate change adaptation (including the planned expansion of the Lighting Africa program across the African continent and into India), agribusiness, the food supply chain, and private sector engagement in the delivery of education and health care.

Joint approaches to private sector development in fragile and conflict-affected states: About 10 joint implementation plans are being prepared during IDA17. For example, in the Sahel Region, the World Bank Group is working jointly to increase the irrigated surface from 400,000 hectares to 1 million hectares by 2020.

Irrigating more land is vital to producing more food, creating jobs, reducing poverty, and improving the lives of people throughout the region. The Sahel Irrigation Initiative is focusing on improving yields and achieving food security through expanded irrigation and good practice irrigation and agricultural techniques.

IDA is also expanding its range of guarantee instruments—with the introduction of public sector guarantees—to attract and leverage private resources, particularly long-term private financing for infrastructure.

The World Bank Group is also working together to **catalyze transformational investments for inclusive and sustainable growth**, with a sharpened focus on regional solutions.







The World Bank Group and IDA at-a-Glance

IDA, IFC, and MIGA each offer distinct capabilities that together create a holistic framework for catalyzing financing and collaboration in countries that often fail to attract private investment.

IDA's support for private sector development:

Roughly 38 percent of IDA commitments in recent years has focused on strengthening the enabling environment for private investment, including the regulatory framework and institutions, thus helping catalyze private sector investment and growth. IDA's client support helps strengthen the foundations for resilient economies, from working to deepen investment climate reforms to building robust financial systems and expanding access to finance for the poor. Strategic partnerships at the regional and global levels complement IDA's country-level engagement and help amplify client impact.

IDA countries are also a critical priority for IFC:

IFC's investments in IDA countries have tripled since fiscal year 2005, now reaching more than \$4.7 billion a year. IFC helps foster a healthy business environment by supporting individual firms, strengthening corporate governance and standard-setting, and promoting global collective action. Since 2007, IFC has also contributed a total of \$3.2 billion of its income to support the work of IDA. IFC made more than a third of its new long-term investments in IDA countries in FY15. About 10 percent of IFC projects, totaling more than

\$600 million, were in fragile and conflict-affected areas of the world.

One of MIGA's top strategic priorities is to support investment in IDA countries:

MIGA mobilizes private sector participation through political risk guarantees for investments in a broad range of sectors, helping to boost investment and keep revenues flowing. In FY15, MIGA provided \$2.8 billion in investment guarantees; half of the projects supported were in IDA countries.

The IBRD works in middle-income countries and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services. IDA and IBRD countries partner through knowledge exchange, innovation, South-South learning, and finance.

As an integral part of the new integrated World Bank Group strategy, IDA is strengthening its ability to catalyze and leverage private resources, promote foreign and domestic private investment, and maximize the positive spillovers of private investment for IDA countries.





The International Development Association

The International Development Association (IDA) paves the way for others in the most difficult and complex situations to help hundreds of millions of people escape the cycle of abject poverty.

- IDA provides leadership on global challenges. From its support for climate resilience to the creation of jobs to get combatants back into society, IDA rallies others on tough issues for the common good and helps make the world more secure.
- IDA is transformational. IDA helps countries develop solutions that have literally reshaped the development landscape—from its history-changing agriculture solutions for millions of South Asians who faced starvation in the 1970s to its pioneering work in the areas of debt relief and the phase-out of leaded gasoline.
- IDA is there for the long haul. IDA stays in a country after the cameras leave, emphasizing long-term growth and capability to make sure results are sustained.
- When the poorest are ignored because they're not profitable, IDA delivers. IDA provides dignity and quality of life, bringing clean water, electricity, and toilets to hundreds of millions of poor people.
- IDA makes the world a better place for girls and women. IDA works to reverse millennia of gender discrimination by getting girls to school, helping women access financing to start small businesses, and ultimately helping to improve the economic prospects of families and communities.
- Working with the World Bank Group, IDA brings an integrated approach to development. IDA helps create environments where change can flourish and where the private sector can jump-start investment.



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