



Financing for Development: Innovative Financial Mechanisms for the Post- 2015 Agenda

Financial Solutions

Sustainable Development VP

Richard MacGeorge

August 26, 2015

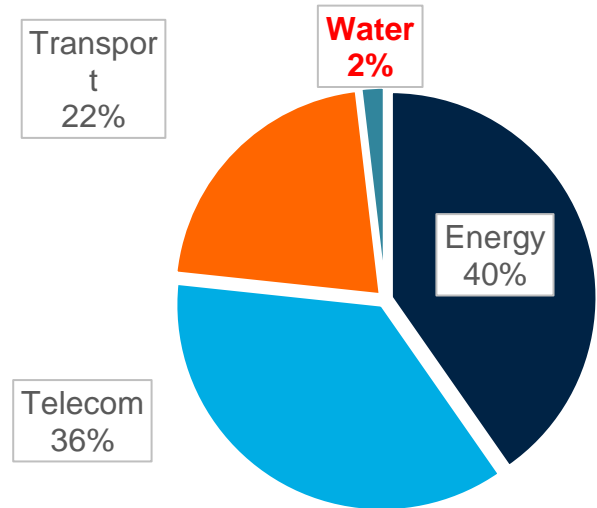
Q. Where are the commercial water financiers?

A. They're in another room.

Our challenge is to make water the “low hanging fruit” for commercial financiers.



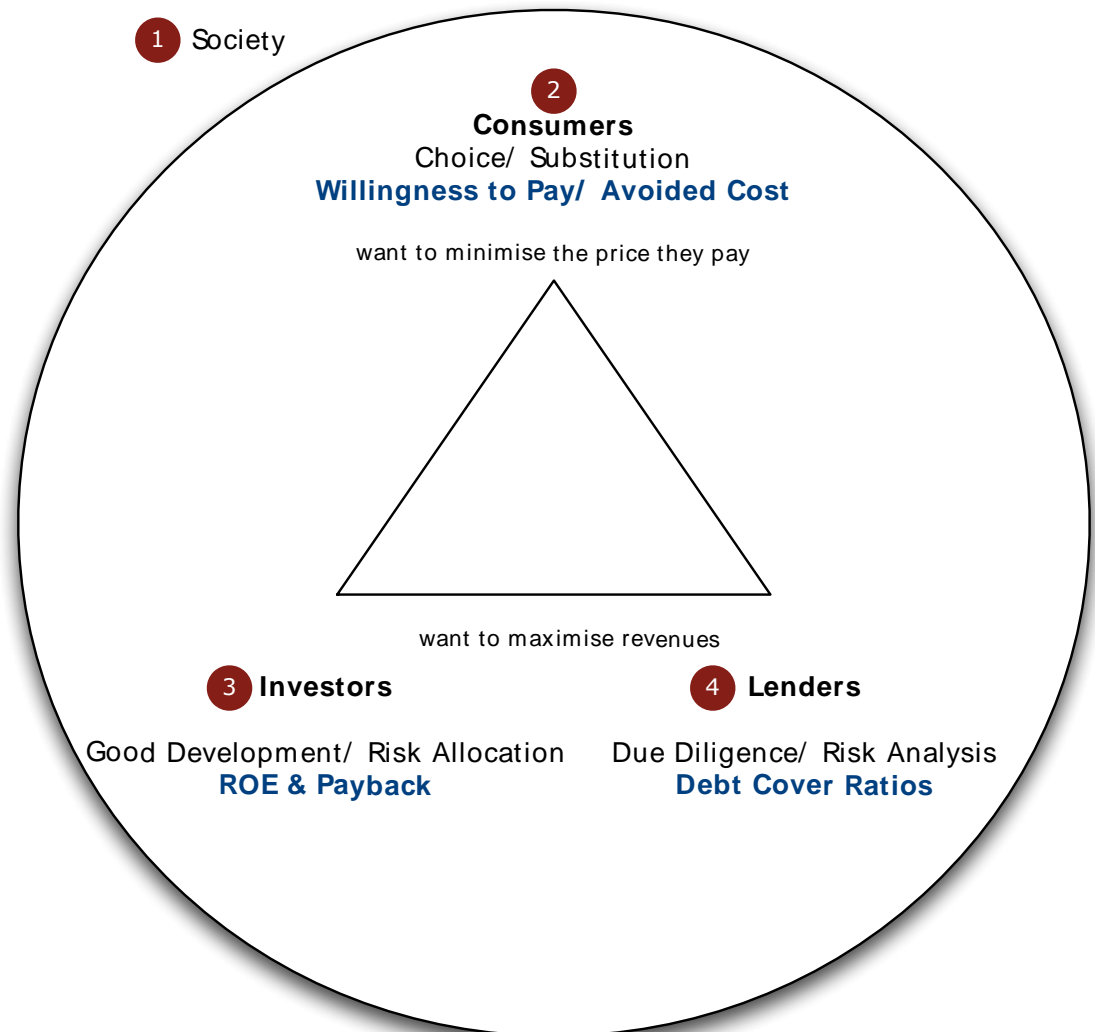
2010-14 PPI Investment



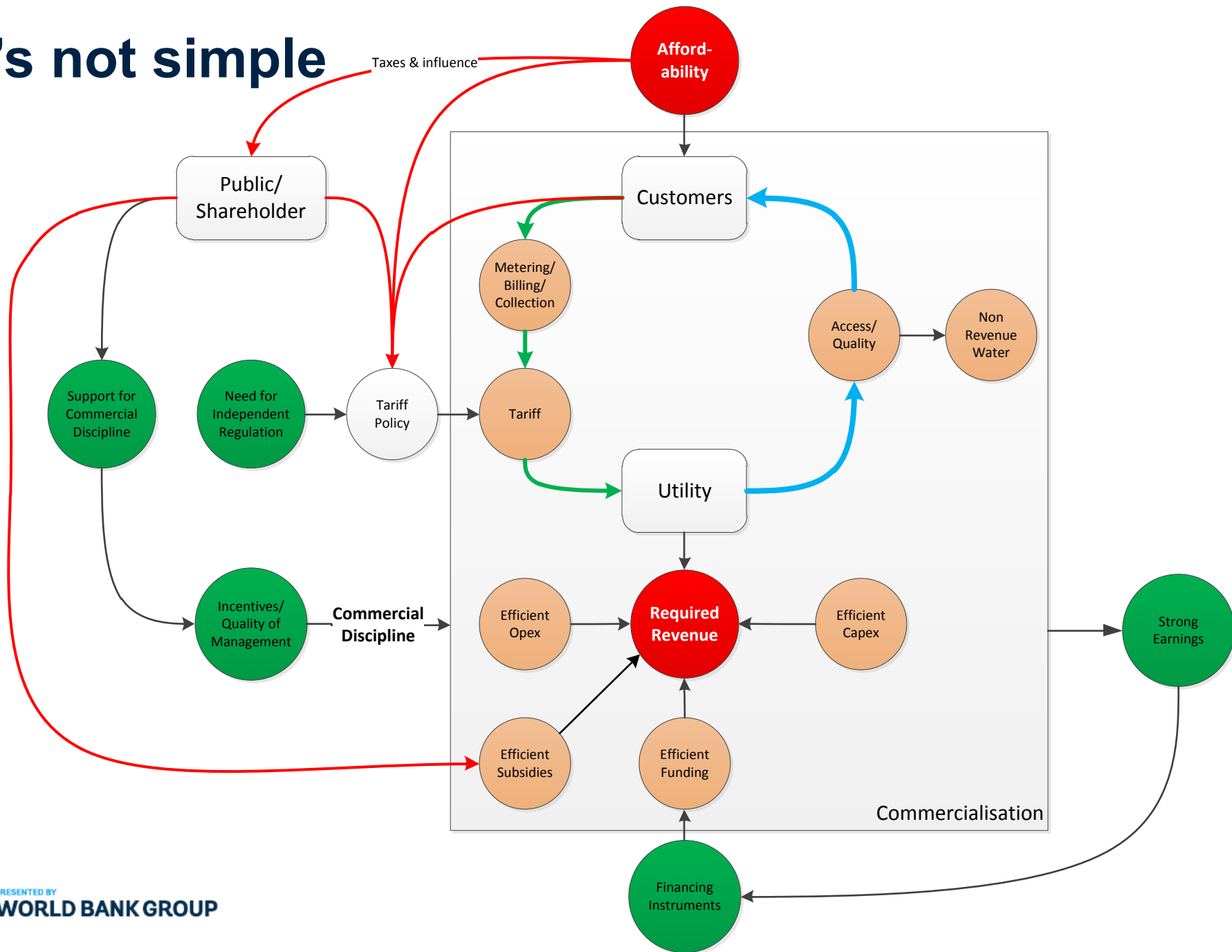
Q. What attracts commercial financiers?

A. Commercially Oriented organizations with earnings that support debt service and equity return needs.

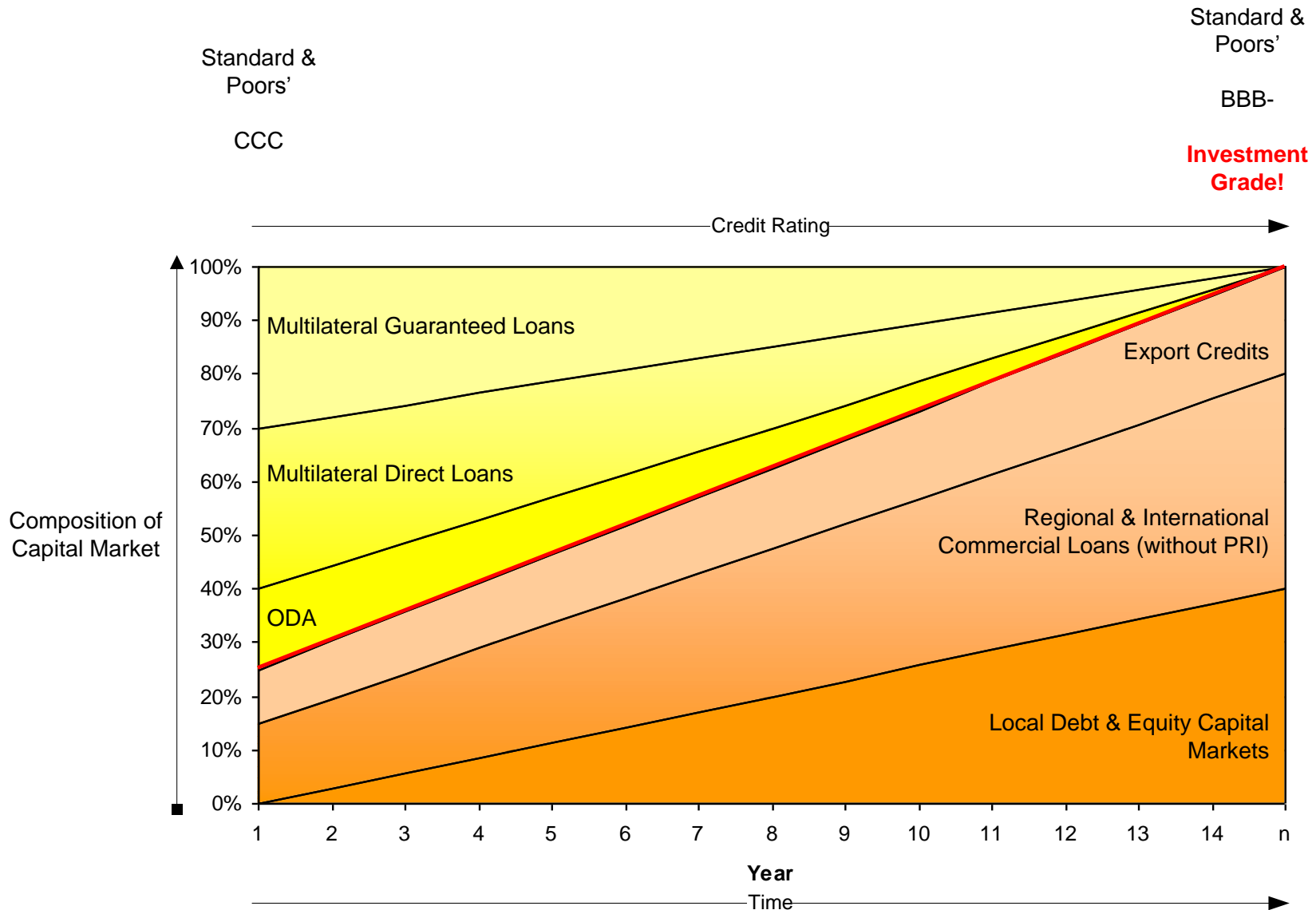
This means solving the eternal tension between four stakeholder groups.



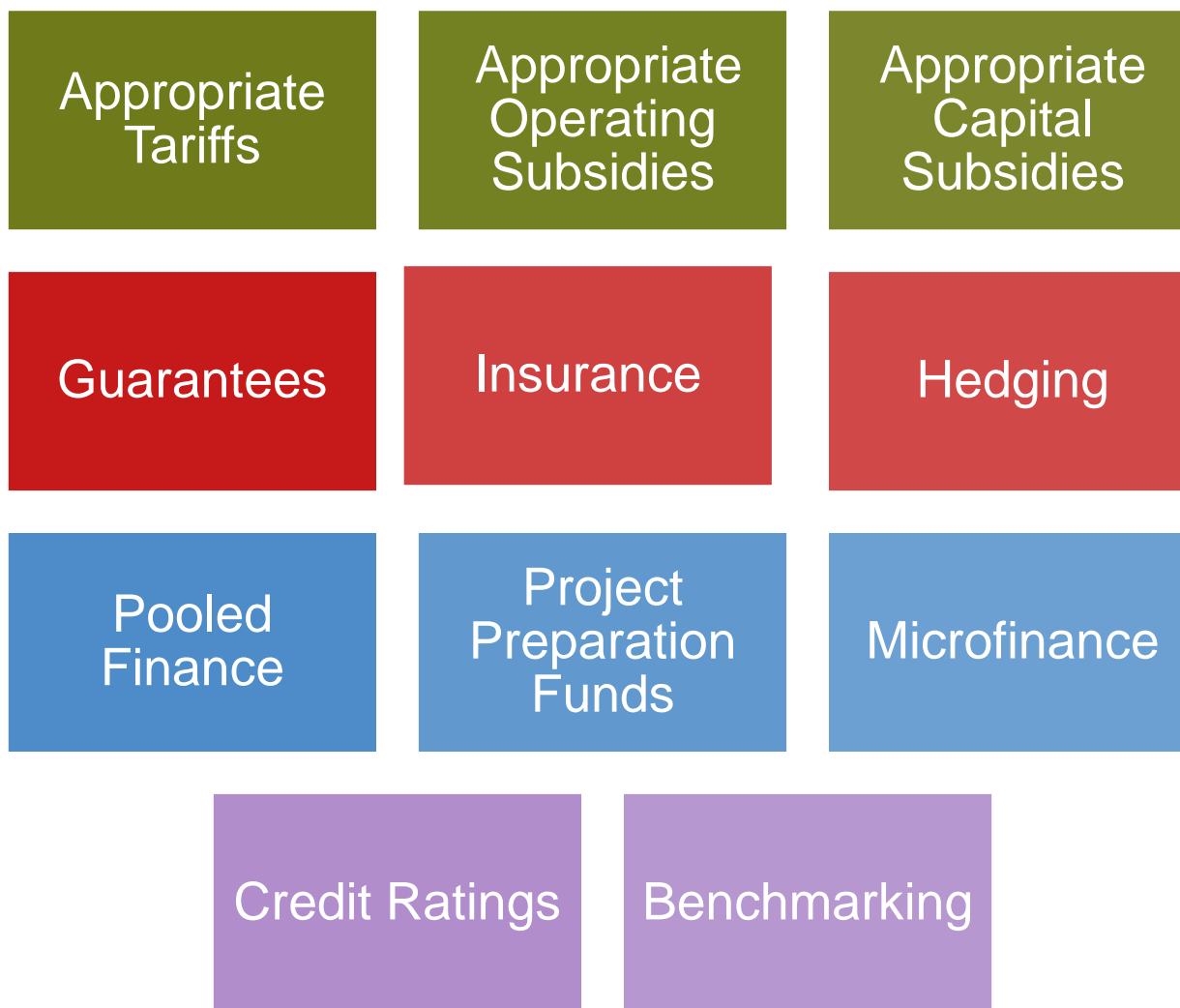
It's not simple



The pool of options changes as a capital market develops



A look at the pool of financing options



Learning from another sector to bring it all together – Kenya Power

Issue Intervention Result

Strengthen KPLC Financial Situation

CapEx funded by high levels of short/medium term debt

Lack Of Liquidity

Difficulties in honoring payment obligations

US\$500M Refinancing with US\$200M Guarantee



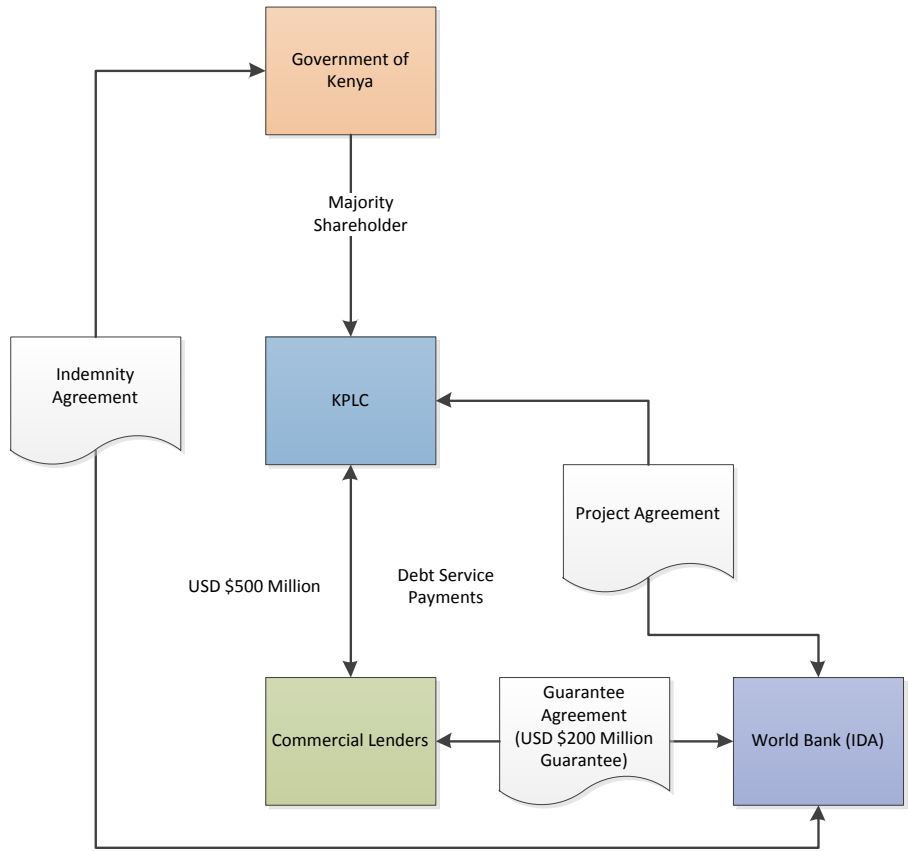
Assessment of Current and Project Financial Situation



Development of a Financial Strategy

Financially Sustainable Utility that is the Cornerstone of the Energy Sector in Kenya

Project Structure



Conclusions

- The financing gap in water is not about insufficient finance but about insufficiently well packaged financing opportunities;
- The fundamentals of finance remain the same and unfortunately there is no financial “magic bullet”, but
- The innovations in water are likely to be in finding the balance between affordability and recovery of service costs.
- Improving commerciality will open the door to financing with longer maturities, lower spreads and better currency matching.
- In parallel, a range of instruments, such as aggregation of water utilities, funds, the use of bonds and introduction of credit enhancement instruments could make substantial inroads in the water sector, coupled with performance improvements.

Contact

Pankaj Gupta

Manager
Financial Solutions
Tel: (202) 473-6188
pgupta2@worldbank.org

Richard MacGeorge

Lead Infrastructure Finance Specialist,
Financial Solutions
Tel: (202) 458-2381
rmacgeorge@worldbank.org

Robert Schlotterer

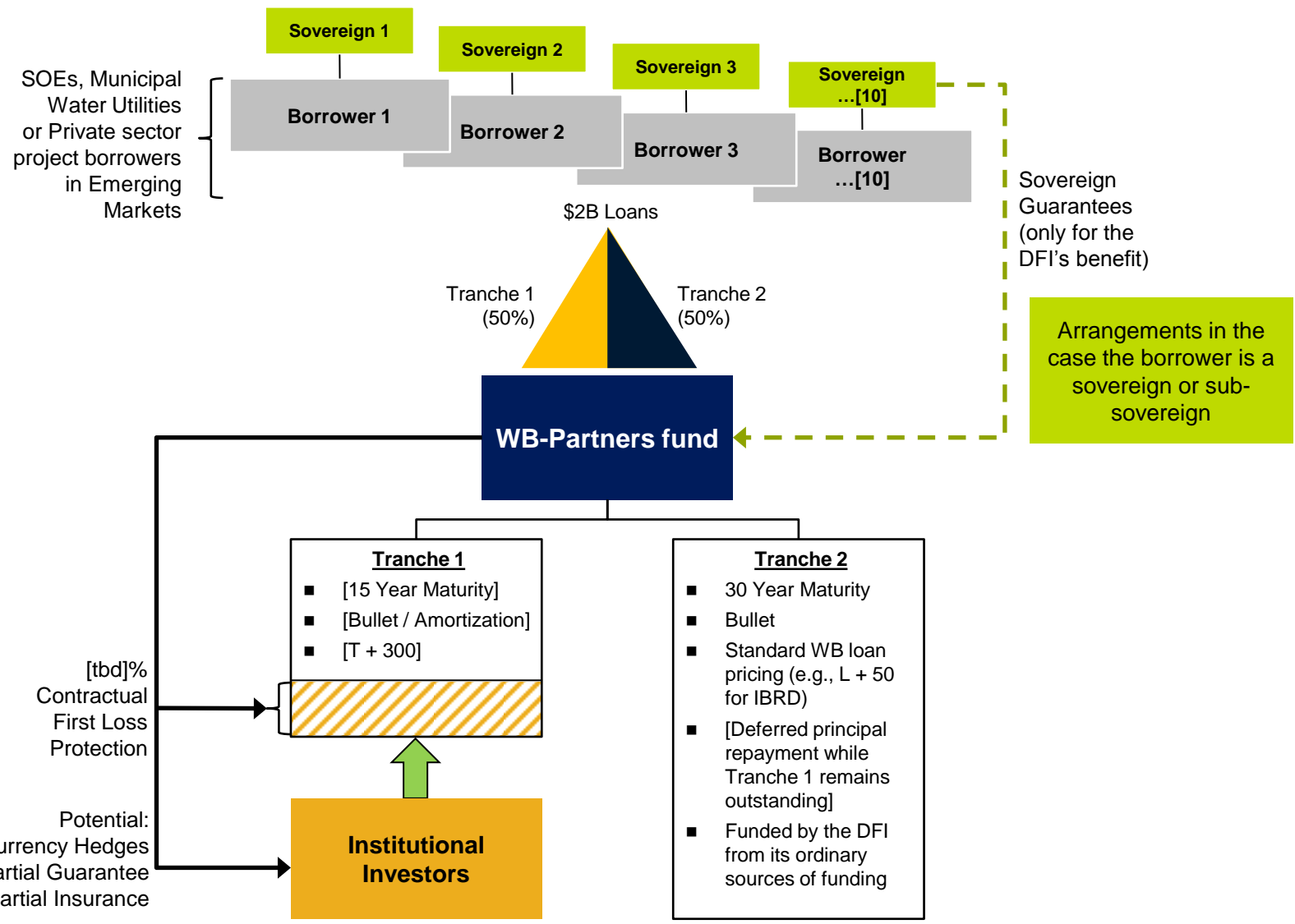
Lead Infrastructure Finance Specialist,
Financial Solutions
Tel: (202) 473-6864
rschlotterer@worldbank.org

Other Possible Financing Innovations

- The World Bank recently explored some new financing structures with Bank of America Merrill Lynch and BNDES as part of its work on the Sustainable Energy For All Initiative. These also apply in water.
- This led to several approaches that increase DFI capacity by leveraging their capital base and balance sheets to scale up investment. Three Structures in particular are:
- **Structure 1:** Promoting DFI and Institutional Co-Investment: DFI structure focused on State-Owned Enterprise and Private Project Borrowers in Emerging Markets
- **Structure 2a:** Institutional Investment: DFI structure focused on Private Sector Project Borrowers in Emerging Markets
- **Structure 2b:** Facilitated Institutional Investment: DFI facilitated structure with focus on Private Sector Project Borrowers in Developed Markets

Structure 1: WB and Partner(s) Co-investment

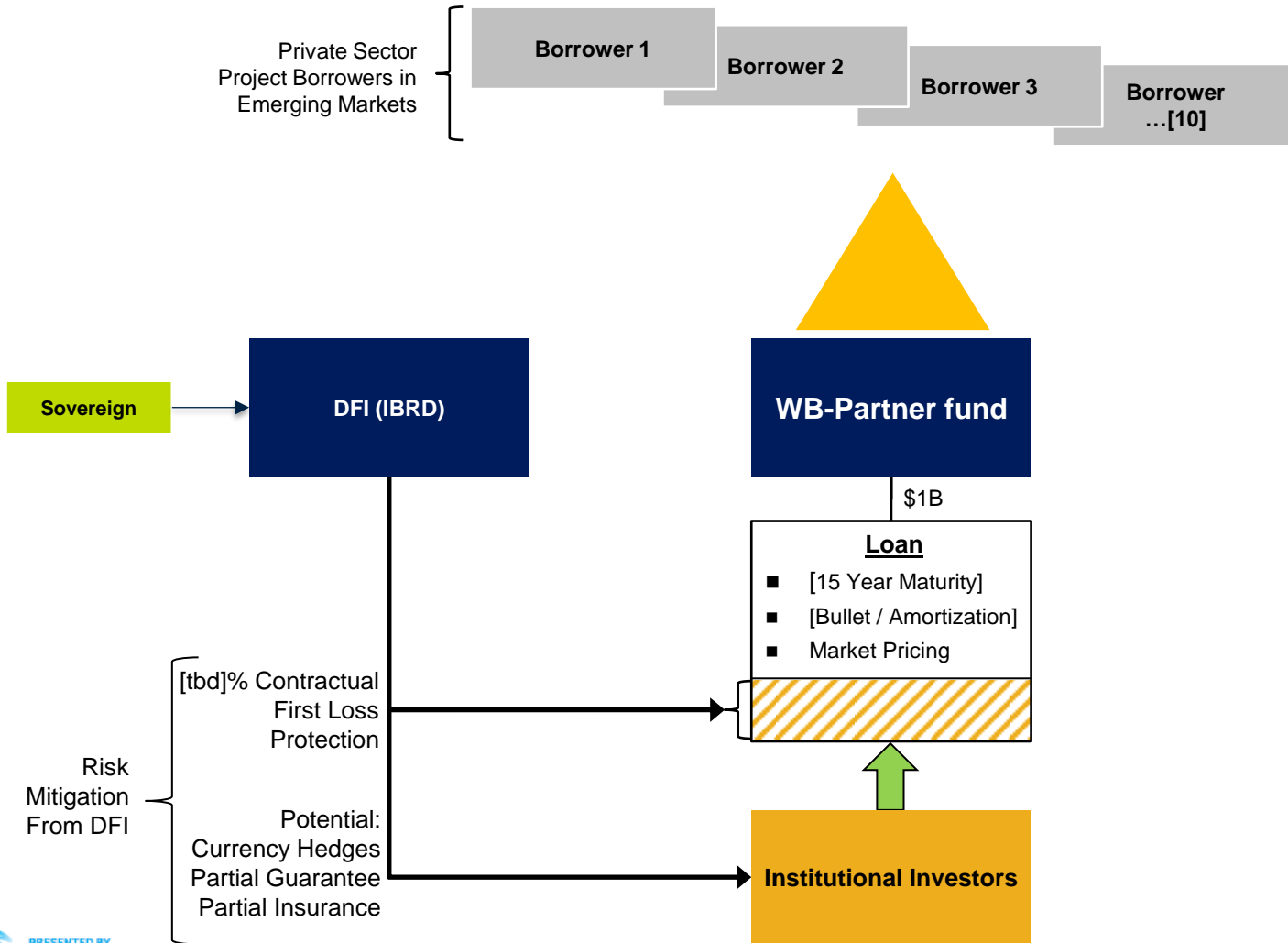
Focused on Public (SOEs or Municipalities) or Private Borrowers in Emerging Markets in Infra sector





Structure 2a: Institutional Investment

DFI structure focused on Private Sector Project Borrowers in Emerging Markets





Structure 2b: Facilitated Institutional Investment

DFI-facilitated structure focused on Private Sector Project Borrowers in Developed Markets

