

# IFIs IN PPPI FINANCING

## An Overview of the Products of The World Bank Group

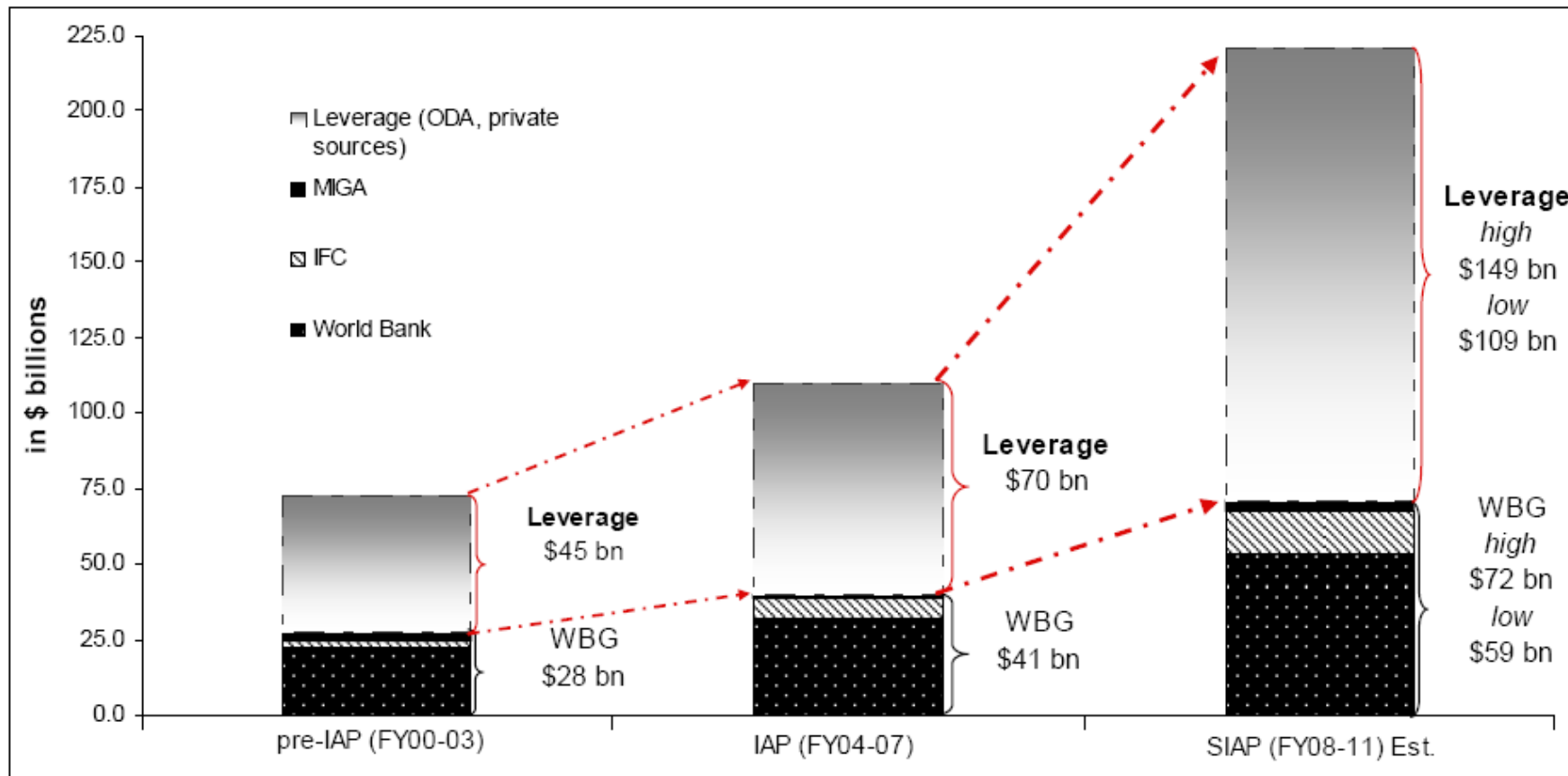
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The World Bank

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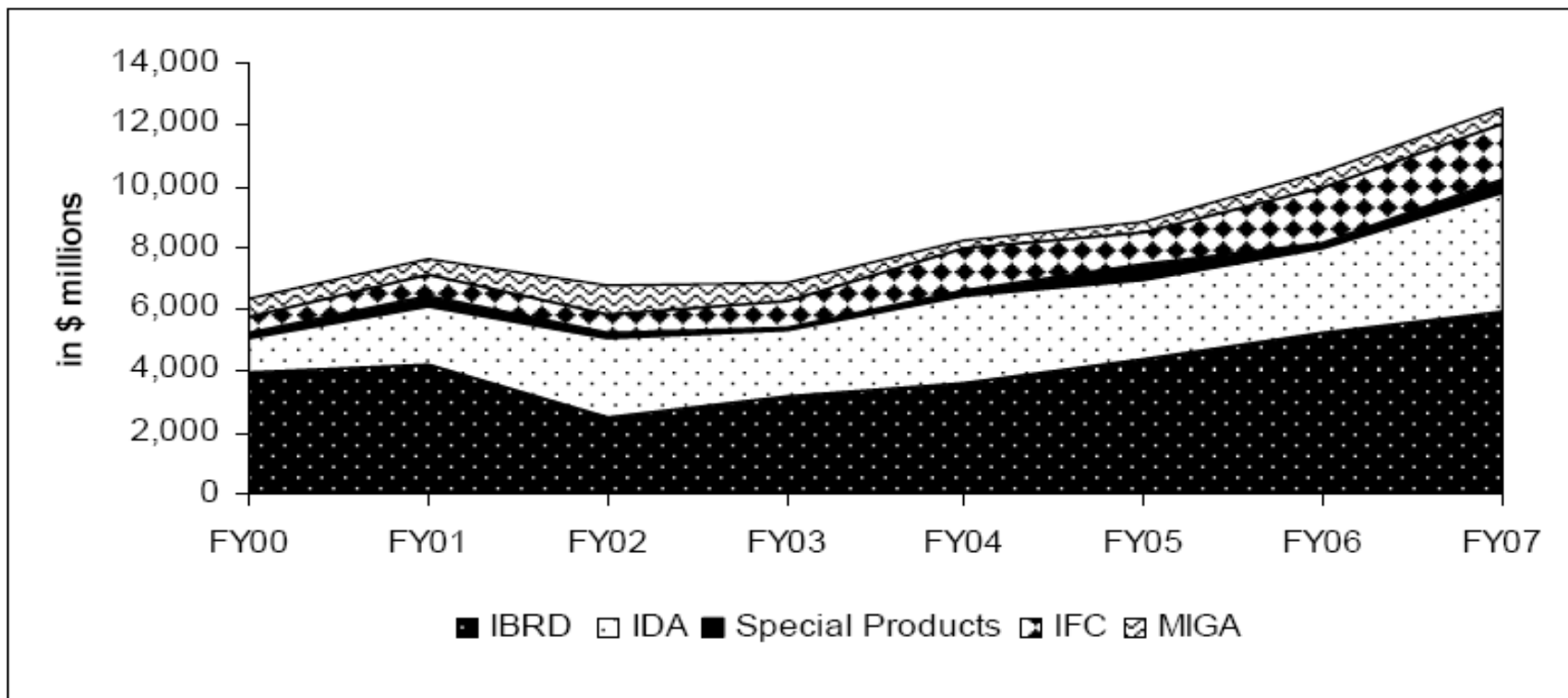
# WBG Investments in Infrastructure

World Bank Group Infrastructure Financing and Leverage<sup>5</sup>



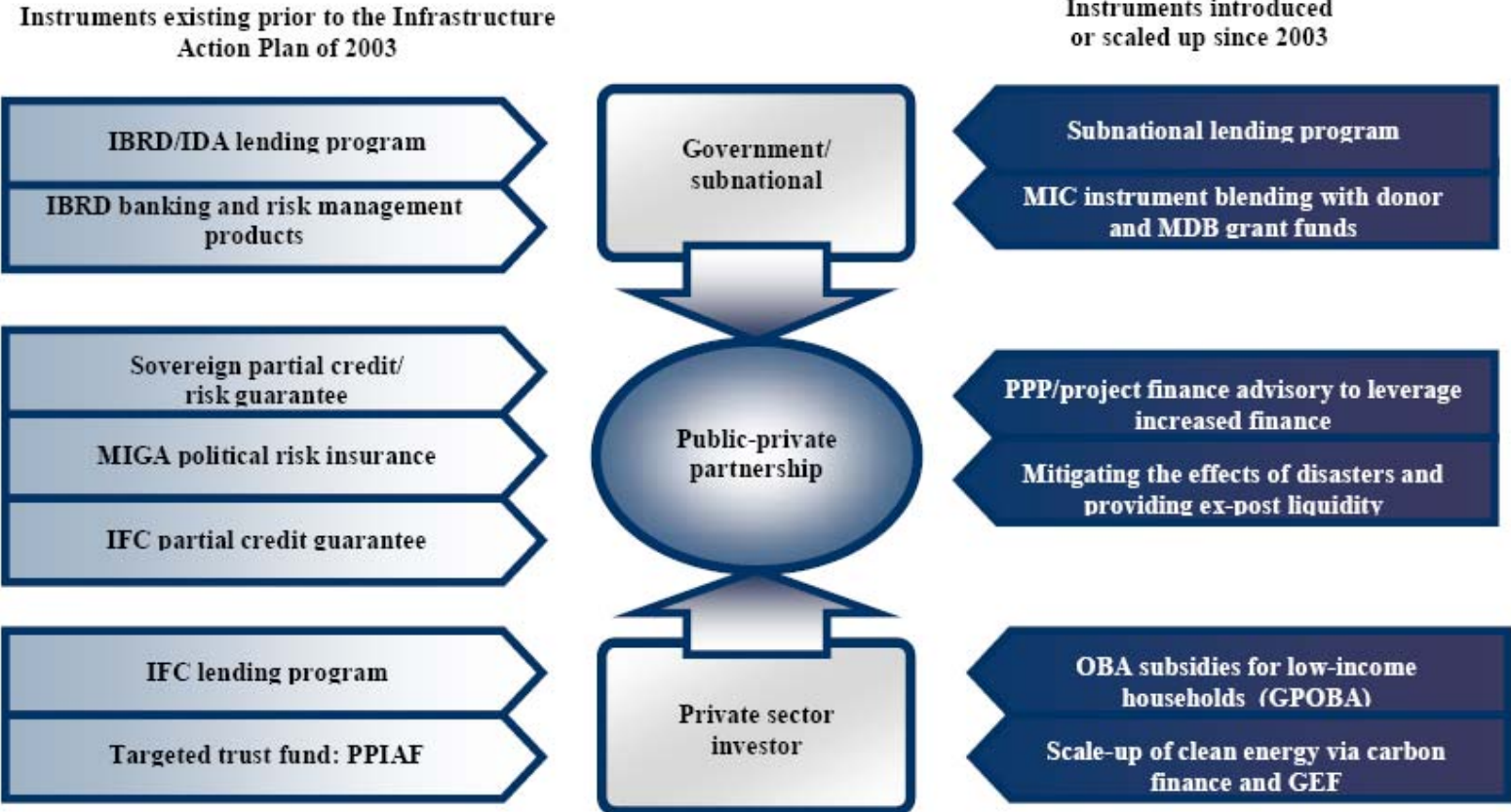
# WBG infrastructure financing divided by institution

Figure 2: WBG Infrastructure Financing by Institution, FY00 – 07 (US\$ Millions)



# WBG Products Available

**Figure 3: World Bank Group Instruments**



# How can the WBG assist in PPPI?

- Leverage Bank resources
- Help reduce fiscal burden for Governments
- Advisory and Capacity Building in support of legal and institutional development for PPP
- Catalyze private sector finance in support of developmental objectives
- Facilitate member countries' access to the international debt and capital markets on more favorable terms

# PPP Resource Centre

- In collaboration with the MOFEP, World Bank will be supporting diagnostic work to:
  - Review all existing PPP-related laws and regulations and provide recommendations for revision\reform;
  - Assess and propose institutional changes to strengthen GOG capacity, inter alia, to deal with unsolicited bids;
  - Provide initial capacity building to key PPP champions across lead government agencies.

# Advisory, Capacity Building and Financing

Once the diagnostic and institutional change program is approved by GOG, World Bank support has encompassed the following:

- Institution-building, eg for PPP Resource Centre and line ministries;
- Financing of specialised transaction advisor expertise and project finance technical assistance to Banks;
- Infrastructure financing – investment, subsidies and guarantees (Africa Report under preparation).

# Guarantees for PPPs in Ghana

<http://web.worldbank.org/external/default/main?theSitePK=3985219&pagePK=64143534&contentMDK=20260268&me>

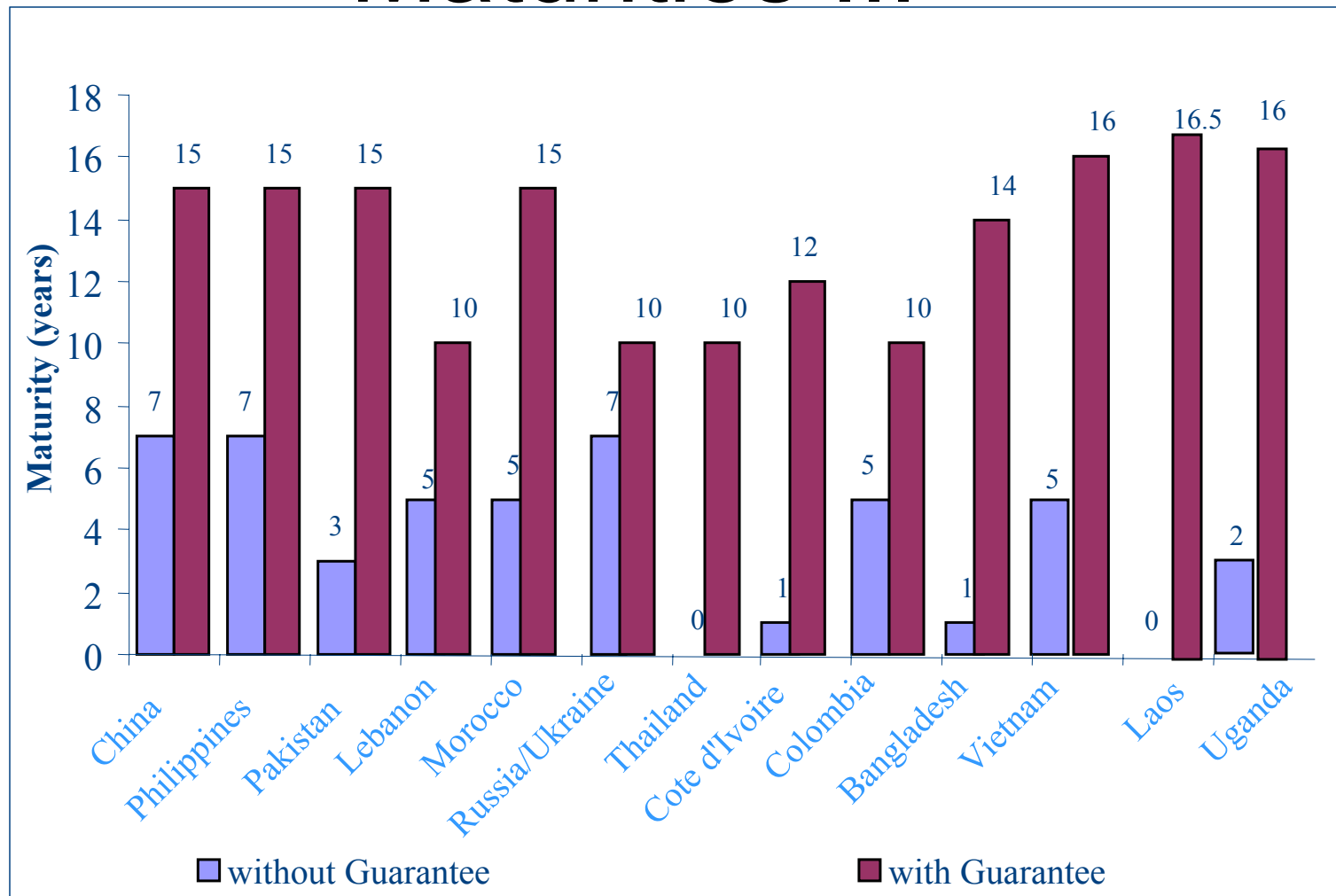
[nuPK=64143504&piPK=64143448](http://web.worldbank.org/external/default/main?nuPK=64143504&piPK=64143448)

- The World Bank Partial Risk Guarantee covers private lenders against governments:
- Changes in law;
- Failure to pay;
- Obstruct an arbitration;
- Expropriates assets;
- Forbids currency conversion; and
- Fails to issue licenses.
- <http://web.worldbank.org/external/default/main?menuPK=64143540&pagePK=64143532&piPK=64143559&theSitePK=3985219>

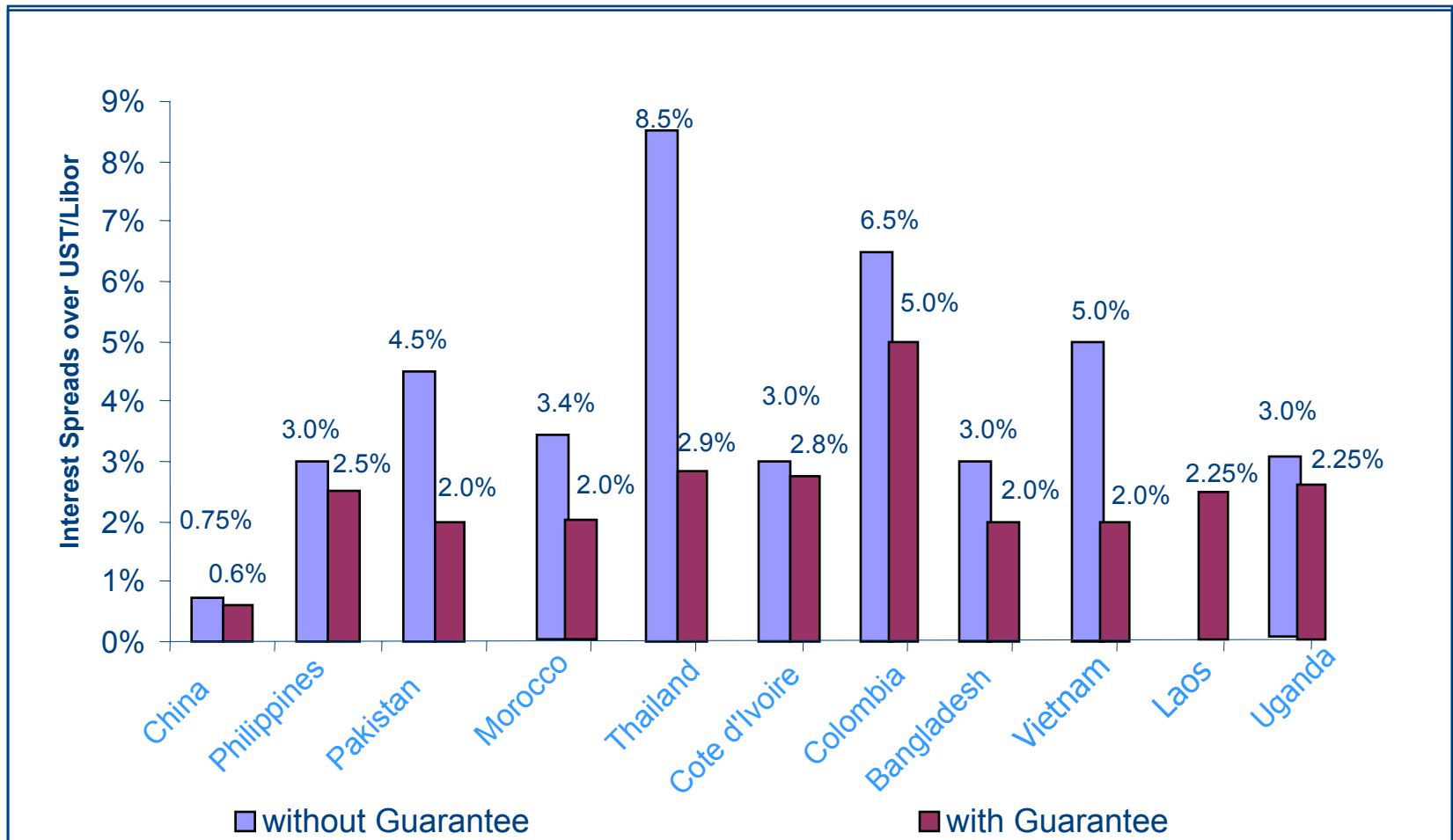
# HOW MUCH DOES IT COST?

	Fee Type	Fee charged to the borrower
<b>Upfront charges</b>	<b>Initiation Fee<sup>1</sup></b>	15 bp on the guaranteed amount or USD 100,000 (whichever is higher)
	<b>Processing Fee<sup>1,2</sup></b>	Up to 50 bp of the guaranteed amount
<b>Recurring charges</b>	<b>Guarantee Fee</b> (on the maximum aggregate disbursed and outstanding guaranteed debt)	75 bp per annum
	<b>Standby Fee<sup>3</sup></b> (on the maximum guaranteed debt committed but undisbursed)	10 bp per annum

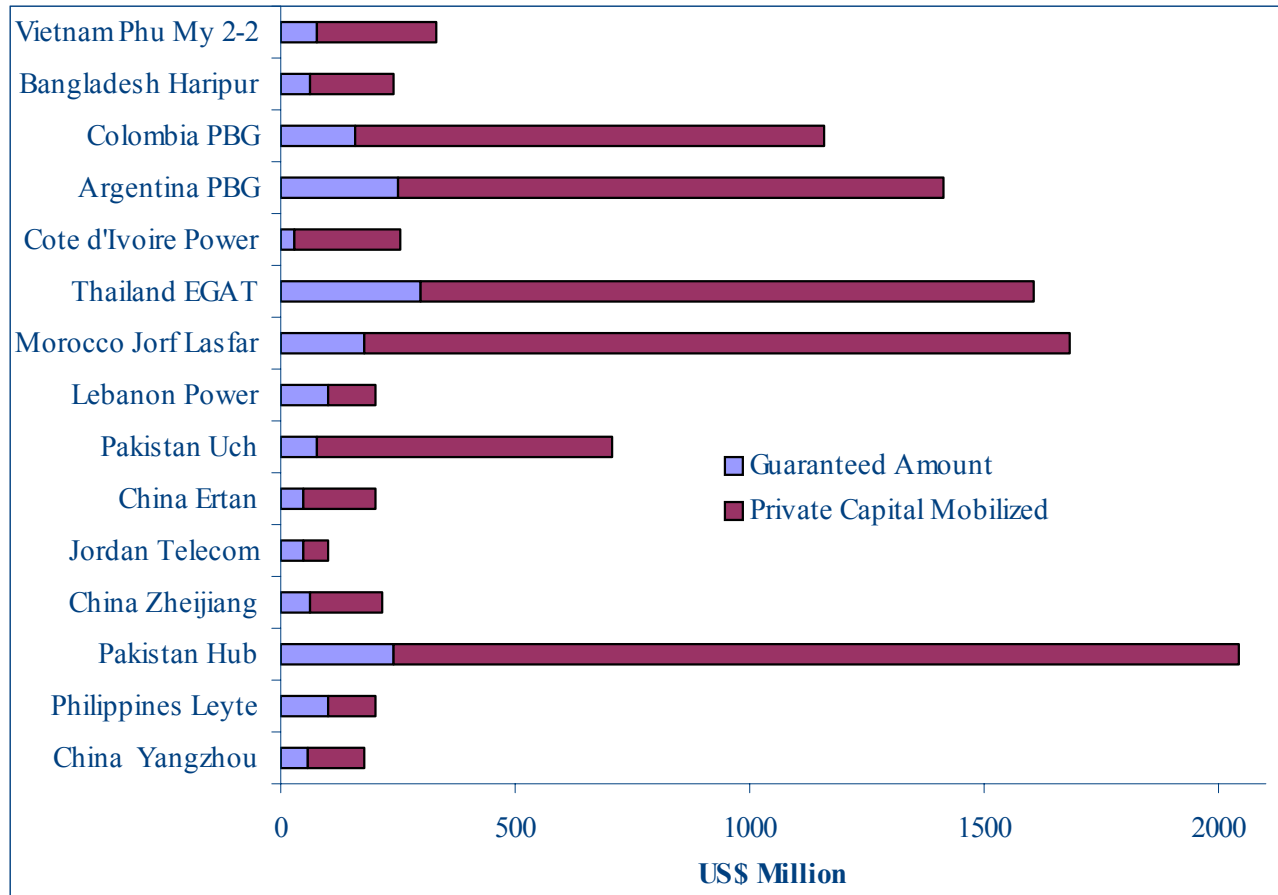
# Guarantees help Extend Maturities ...



... at the same time Reduce Spreads

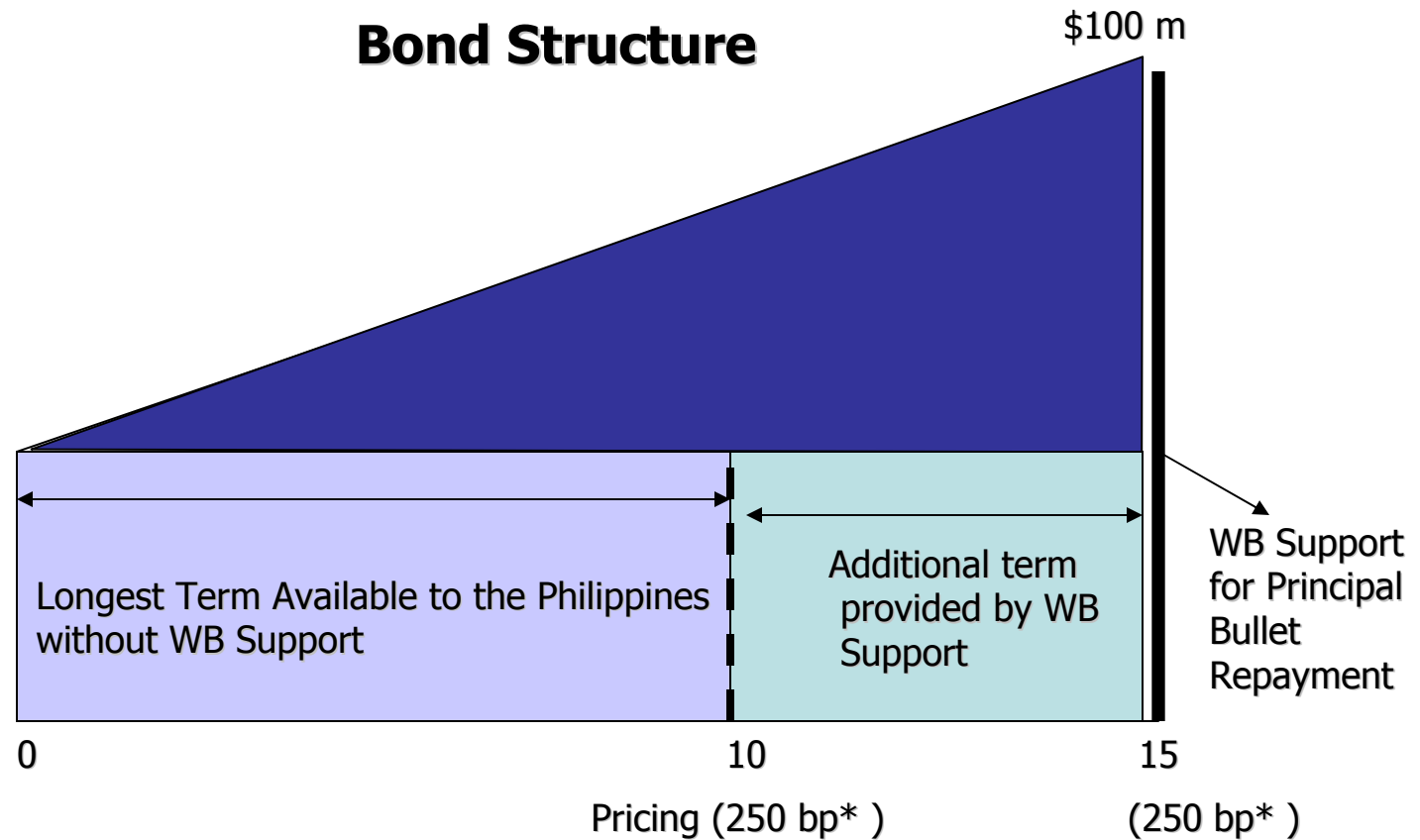


# ...and have an Important Catalytic Impact



***\$1 dollar of guarantee catalyzed \$4 of private finance.***

# Partial Credit Guarantees Long Term Public Investments **Philippines: Leyte-Luzon Power Project**



\* Above US Treasuries

# MIGA GUARANTEES

- 44% GO TO INFRASTRUCTURE:
- MIGA GUARANTEES *cover*:
- Currency transfer restrictions;
- War and civil disturbance;
- Expropriation;
- Breach of contract.
- [http://www.miga.org/sectors/index\\_sv.cfm?stid=1534](http://www.miga.org/sectors/index_sv.cfm?stid=1534)

# Sample Transaction

- Umeme Ltd.
- Globeleq and Eskon, South African firms bought Power Plant with a MIGA guarantee operation valued at US\$ 45 Million.
- The consortium will provide energy for 20 years.
- Example of South-South Operation.

# Unsolicited Bids

## ➤ Three **Principal Approaches**:

1. **Swiss Challenge**: Bid is tendered out and project originator permitted to meet lowest bid (Philippines, Indian States, Italy, Taiwan);
2. **Bonus System**: Original sponsor provided with a bonus in the formal bidding (Chile, South Korea);
3. **Best and Final Offer System**: Multiple tendering with originator ensured of participation in final round (Argentina and South Africa).

➤ **Other Considerations** : (i) there is a central clearing house for unsolicited bids and due diligence to ensure proposal conforms to GOG investment priorities; (ii) option selected can be dependent on expertise of originator; (iii) preparation costs refunded to the project originator.

**THANK YOU!**

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