

A decorative background featuring several spheres of varying shades of gray and black, each mounted on a thin black stick. The spheres are arranged in a cluster on the left side of the slide, with some overlapping. The sticks extend downwards and outwards, creating a sense of depth and movement. The overall aesthetic is clean and modern.

Financing Major Projects

A Multilateral Lender's Perspective

Abid Hasan

World Bank Pakistan



World Bank's Financing has to be consistent with the Country Assistance Strategy (CAS) and Support Sector Reform Program



Determinants of Bank Assistance for Individual Projects

- The Project must:
 - Be consistent with the Bank's Articles of Agreement, and Country Assistance Strategy
 - **Have strong government ownership**
 - Involve consultative process with key stakeholders
 - Be economically justifiable, and financially sustainable and assist in reducing poverty
 - Ensure adequate implementation capacity in place
 - Fulfill Bank's essential safeguard standards on Financial Management, Procurement, Environment, Social Development & Resettlement



WB's key criteria for infrastructure projects

- Projects must be a part of the overall sector reform program agenda
- Projects should demonstrate:
 - Technical and environmental soundness and economic desirability
 - Institutional and financial competence of the counterpart is critical
 - The ‘development impact’
 - Banks involvement as significant value addition
 - Have adequate risk mitigation mechanisms in place to deal with:
 - Excessive operation and construction cost
 - Shortfall in revenue or the margin caused by price and market risks
 - Uncertainty about safety and transferability of investments and returns

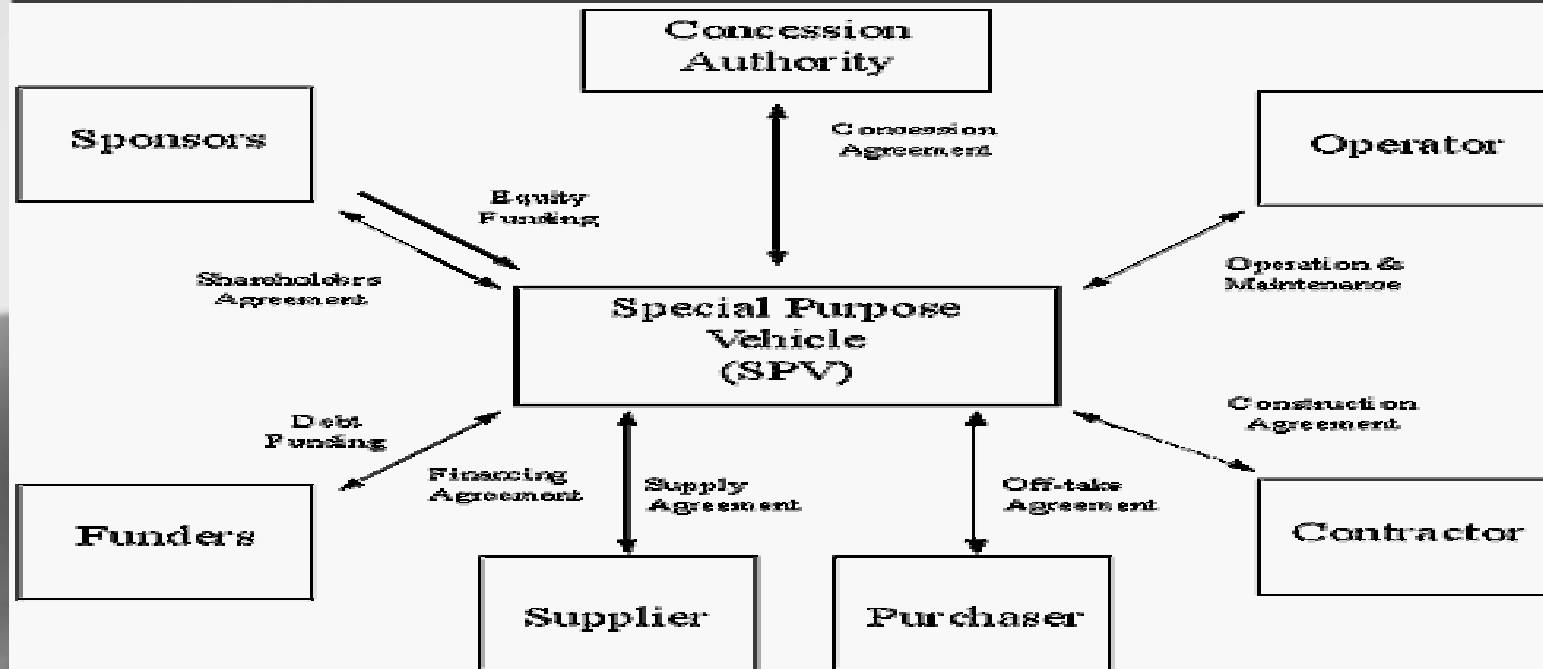


Bank Group units which assist in the development of Project Finance

- IFC, a part of the World Bank Group, provides direct support for financing major projects and acts as a catalyst for further investment
 - In the first half of 1990s for every dollar invested by the IFC, six were provided by others
- Project Finance Guarantee Group
 - *Partial Risk Guarantees*
 - *Policy Based Guarantees*
 - *Partial Credit Guarantees*
- Multilateral Investment Guarantee Agency
 - Promotes development by offering political risk insurance to investors and lenders



A typical Project Finance Structure



- The involvement of the multilateral agencies enables government to attract commercial lending to the project, as their involvement underpins the project and covers risks which may be unacceptable to the private sector.



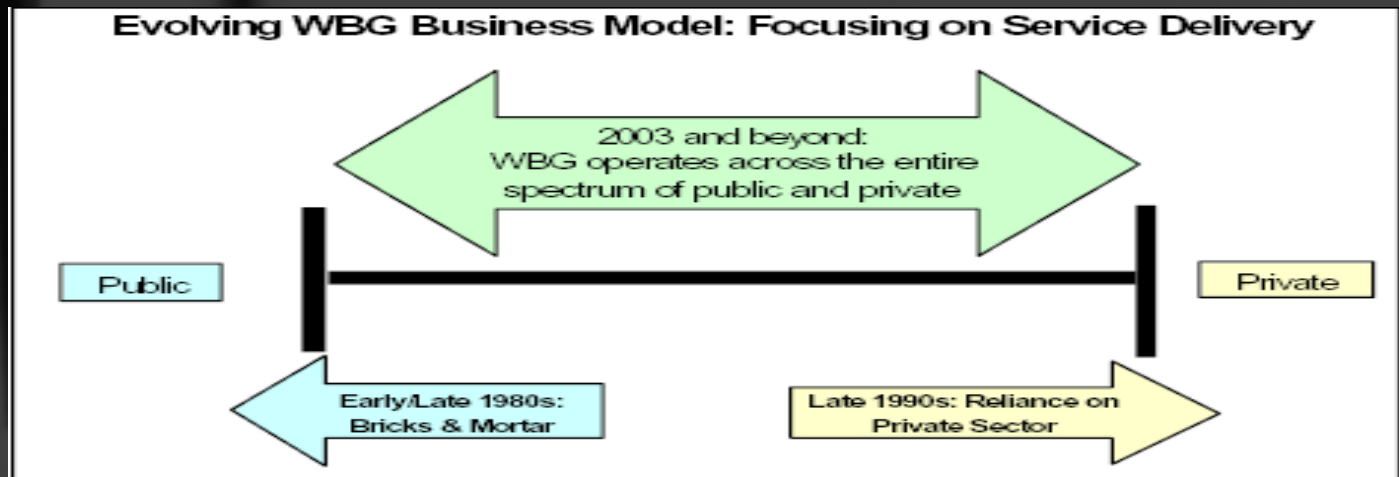
World Bank's investment in Infrastructure: Scaling up

- A decade of declining investment in Infrastructure and recent re-examination
 - World Bank infrastructure investment lending declined by 50% between 1993 and 2002
 - Private investment in infrastructure in developing countries has declined from a peak of \$128 billion in 1997 to \$58 billion in 2002
- The need for infrastructure service provision to reduce poverty and increase economic growth has received unprecedented recognition



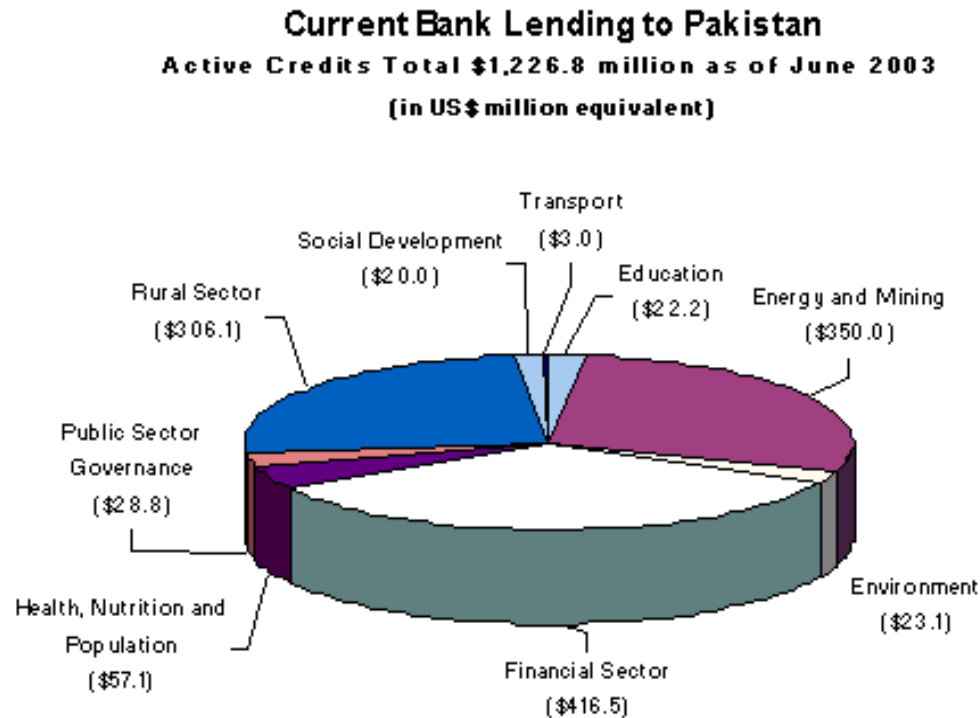
World Bank's Scaling up Action Plan:

- **Respond to client country demand for infrastructure**
 - use improved advisory work to highlight the contributions of infrastructure to poverty reduction and growth
- **Rebuild and apply new/existing WBG instruments effectively to maximize leverage**
 - Instruments to operate at the sub-sovereign level, e.g., IFC Municipal Fund. Explore instruments to reduce foreign exchange risk associated with infrastructure investments such as a liquidity backstop facility or local currency guarantees.



The Bank in Pakistan: 50 years of support

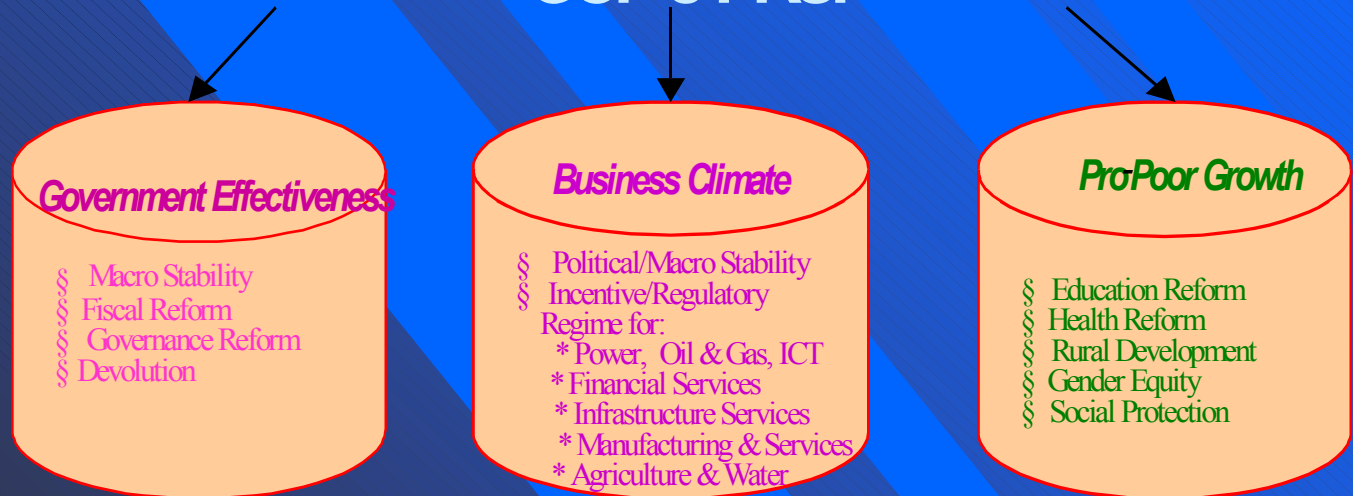
- \$ 13B worth of funding for Pakistan approved since 1952 (\$11B disbursed)
- Current active loans US \$ 1.2B



PILLARS OF PAKISTAN COUNTRY ASSISTANCE STRATEGY

MILLINIUM DEVELOPMENT GOALS (MDGs)

GOP's PRSP



Strategic Principles of Engagement

Client "Pull" and Selectivity Programmatic Approach Partnerships and Outreach

Corporate Priorities

Global Public Goods



World Bank's program in Pakistan covers a wide spectrum

- **Human Development** – Social Development, Education and Health
- **Infrastructure** - Highways, Irrigation & Drainage, Oil & Gas, Power sector
- **Rural Development** – On-Farm water Management
- **Finance** - Banking Sector reforms
- **Governance** – Tax Administration, Auditing/Accounting Reforms
- **Private Sector Development**
- **Provincial Reforms**
- **Community Driven Development and Program**



Good progress on Growth and Poverty Alleviation agenda

- Improved Macroeconomic Environment
 - Low inflation, high FX reserves, reduced debt serving ratio
- Institutional Reform
 - SBP, AG-CGA, CBR and SECP made more dynamic and professional
 - Civil Service Reform Implemented
 - Devolution underway
- Banking Reform
 - Financial markets competitive, Capital markets deepened
- Oil and Gas Reform
 - Legal/regulatory functions strengthened
- Pro-Poor Programs
 - Pakistan Poverty Alleviation Fund (PPAF),



Based on progress, Bank lending to Pakistan likely to be on high case with an increased focus on Infrastructure:

- Power Sector
 - Assist build a competitive electric power system which is autonomous, financially viable, efficient and governed by independent regulatory authority
- Transport
 - Assist shift towards operation and maintenance of transport infrastructure to facilitate trade and growth
- Water
 - Investment in the entire water chain: canals, barrages, on-farm water management

*Bank lending likely to touch
\$ 1 Billion a year during FY04-06*



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