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# ***The role of the World Bank Group in the new global scenario***

XI Conferenza Banca d'Italia – MAECI

con i Delegati e gli Addetti finanziari accreditati all'estero

*Le attuali sfide al multilateralismo: riflessi sullo scenario globale e ruolo dell'Unione Europea*

March 12, 2018



# Outline of the presentation

## 1. The changing development landscape

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

## 2. 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:
  - the Sankofa gas project in Ghana
  - The Tafilah Wind/Seven Sisters project in Jordan
- ❑ The importance of multilateralism

## 3. WBG procurement to Italian companies

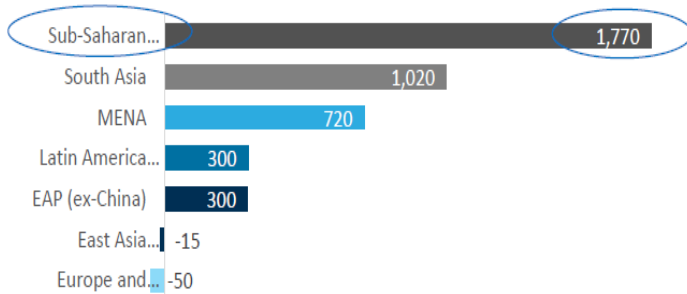
# The new development goals



# Meeting development goals requires increased financing and managing global risks

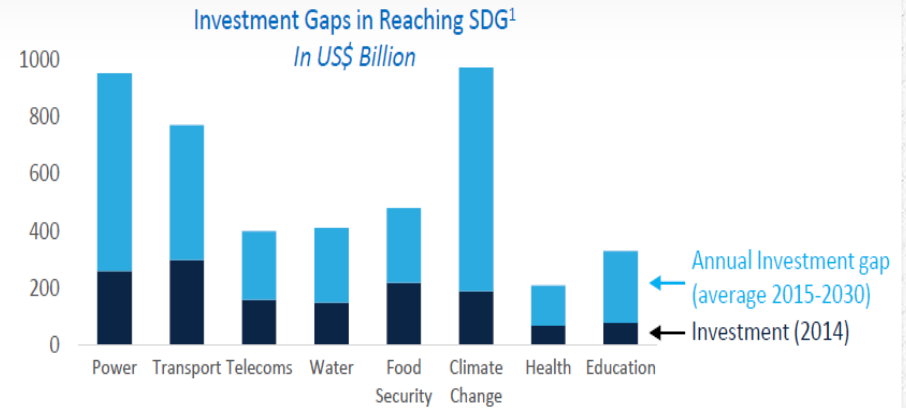
More than 3 million new jobs are needed every month in Africa, MENA and South Asia...

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 ...



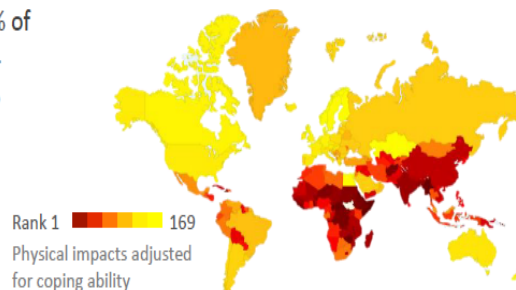
Source: World Bank Group. 2017. Global Economic Prospects, January 2017

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

## MIC and Mitigation

- UMIC emitted 45% of global CO<sub>2</sub> 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.

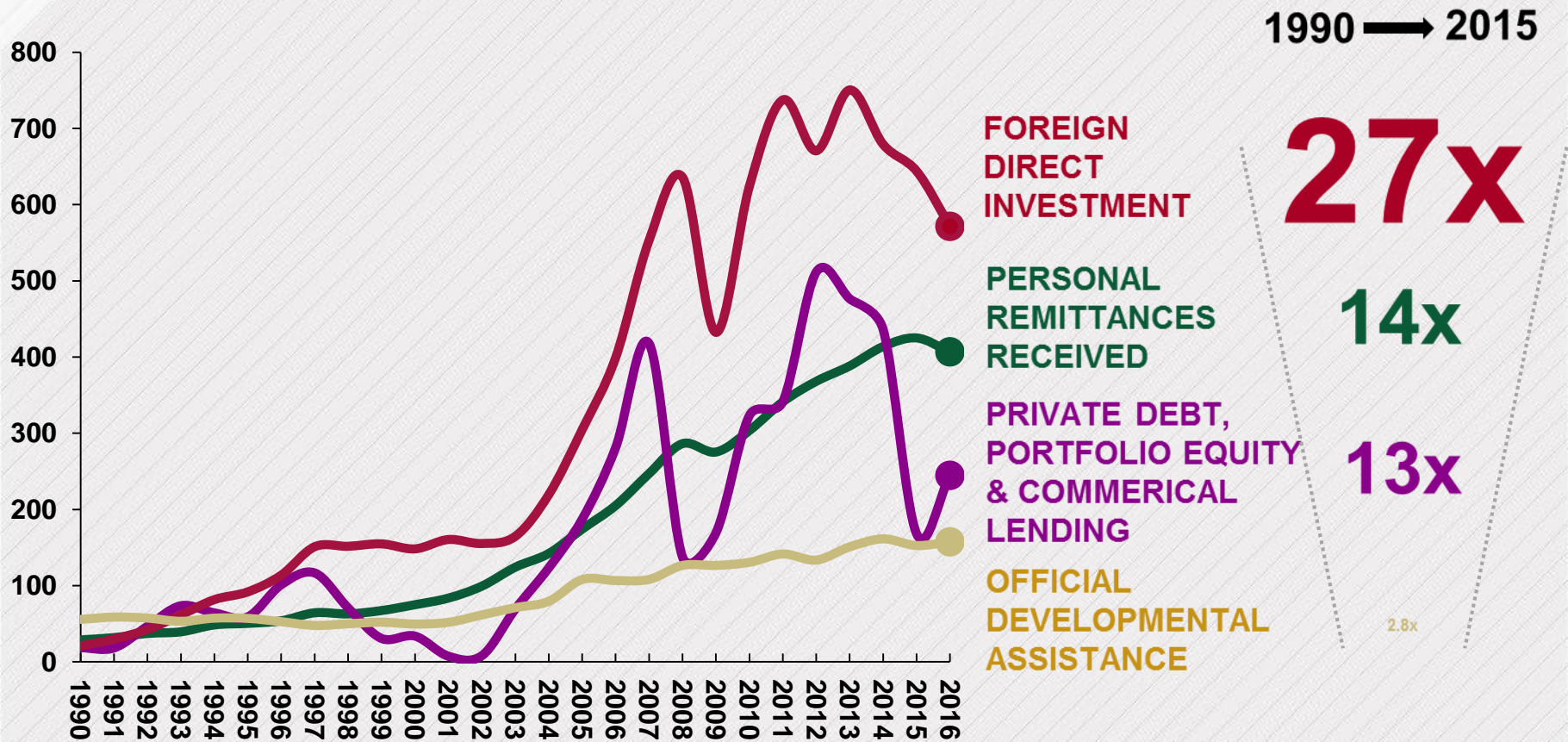
Source: UCDP/PRIO Armed Conflict Dataset - UNHCR Global Trends 2017, as of end-2016 - OECD 2015

# 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

## Soaring Private Capital Flows, Flat ODA



# Billions to Trillions

## Leveraging Private Finance

**\$2**

TRILLION

ASSETS HELD  
BY THE WORLD'S  
TEN LARGEST  
PENSION FUNDS

**\$4.5**

TRILLION

ASSETS HELD  
BY THE WORLD'S  
LARGEST  
INSURANCE  
COMPANIES

**\$5**

TRILLION

ASSETS HELD  
BY THE WORLD'S  
LARGEST SOVEREIGN  
WEALTH FUNDS

**\$100**

TRILLION

GLOBAL BOND  
MARKET

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

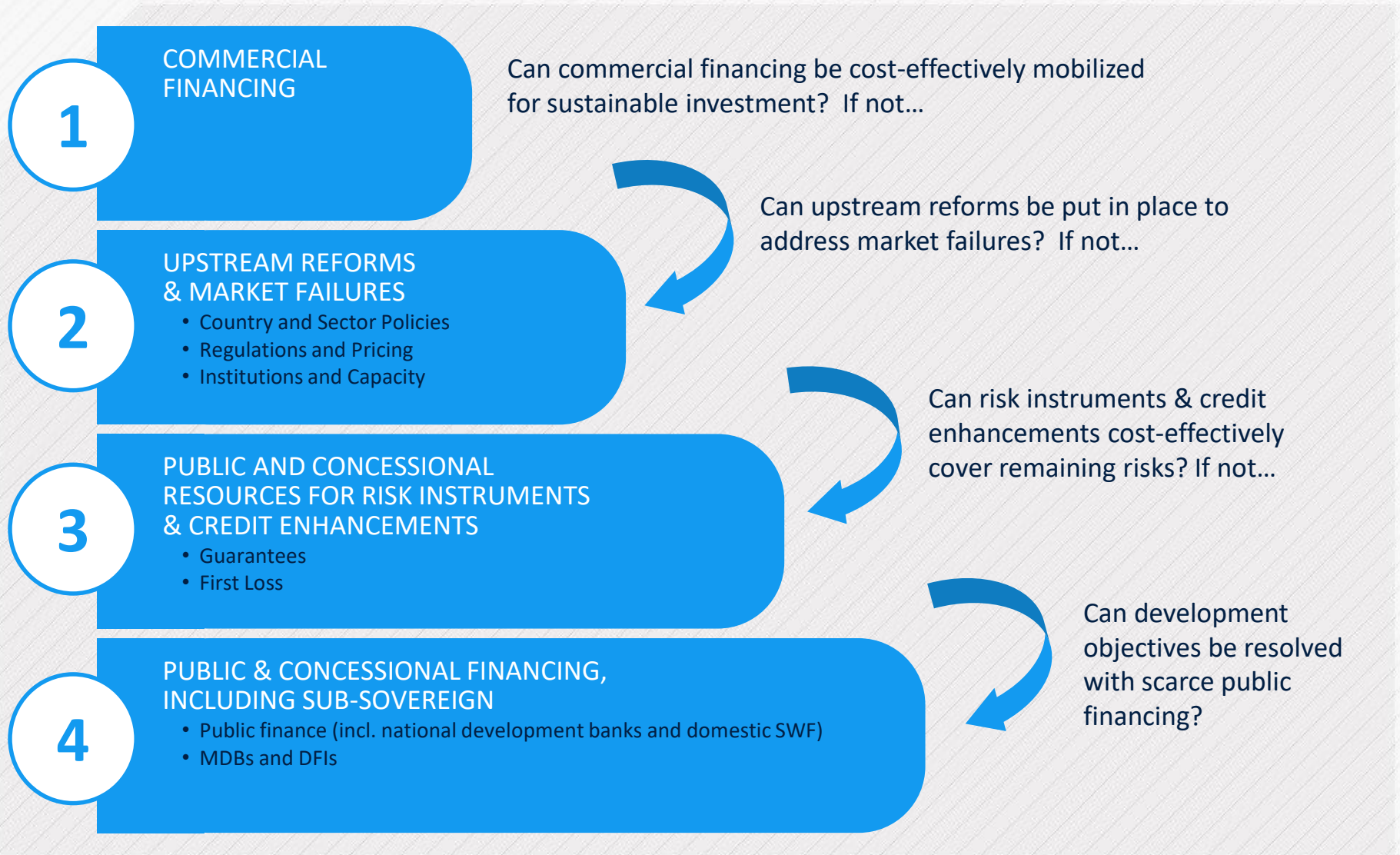
**The SDGs will not be achieved without the enhanced participation of the private sector**

"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



## Example of the use of WB guarantees: the Sankofa gas project in Ghana

- Natural gas located in deep water 60km offshore of Western Ghana
- Fuel up to 1,000MW of domestic power generation (40% of Ghana's currently installed generation capacity)
- Replace expensive, polluting fuels (imported light crude oil) with cleaner and more affordable gas resources
- Reduce oil imports by 12 million barrels per year and reduce CO2 emissions by around 8 million tons over five years
- combination of IBRD and IDA guarantees (\$700 million) covering the risks of non-payment by off-taker of its payment obligations under the Gas Sales Agreement and debt service defaults, as a result of breach of specified contractual obligations.
- Total investment \$7.9 billion over the life of the project, largest foreign direct investment in Ghana's history.

## Example of creating renewable power markets: the Tafilah Wind / Seven Sisters in Jordan

- Private investment in Jordan's renewable energy sector is held back by a number of factors.
- IFC support enabled the first privately financed, commercial-scale renewables project in Jordan, the 117 megawatt Tafilah wind farm.
- Following Tafilah, the government launched the wider renewable program, focusing first on solar. Over 2014-2016, IFC support led to eight more renewable energy projects.
- IFC's investments have been part of a broader coordinated WBG effort in Jordan's power sector. In 2015, the First Energy and Water Sectors Reform DPL and the GEF Promotion of a Wind Power Market Project supported the development of the renewable energy regulatory and pricing frameworks.
- The project contributes to competitiveness of the energy sector by catalyzing private sector participation, and improves environmental and fiscal sustainability of the energy sector, by reducing Jordan's import dependence and lowering the carbon intensity of its power sector.

# The importance of staying engaged with all clients

A geographical diversified portfolio:

- lowers the financial risk and increases the lending space
- enhances opportunities for knowledge generation and sharing – ‘south-south’ learning
- allows to tackle global issues – crisis management and FCS, climate change, gender, ...
- ... generating externalities for donors

# Contracts awarded to Italian constituency companies as part of the WBG projects

Proc Categ Supp Ctry	CIVIL WORKS 2011-17	CIVIL WORKS % share of total	CONSULTANT SERVICES 2011-2017	CONSULTANT SERVICES % share of total	GOODS 2011-2017	GOODS % share of total	NON CONSULTING SERVICES 2011-17	NON CONSULTING SERVICES % share of total	TOTAL CONTRACTS 2011-2017	TOTAL CONTRACTS % share of total
Albania	41,145,316	0.07%	14,432,895	0.11%	43,812,740	0.19%	2,361,998	0.14%	101,752,948	0.10%
Greece	1,223,343,828	2.01%	23,883,151	0.19%	5,377,395	0.02%	3,195,795	0.19%	1,255,800,169	1.24%
Italy	2,483,446,070	4.08%	195,418,479	1.52%	1,685,983,955	7.33%	1,858,324	0.11%	4,375,829,806	4.31%
Portugal	241,770,082	0.40%	54,534,093	0.42%	22,175,951	0.10%	22,652,990	1.31%	354,073,950	0.35%
Timor- Leste	2,132,753	0.00%	7,067,699	0.05%	3,690,423	0.02%	65,400	0.00%	12,956,275	0.01%
Total EDS21	3,991,838,049		295,336,317		1,761,040,464		30,134,507		6,100,413,148	6.01%
All countries	60,823,520,267		12,897,344,841		22,999,564,630		1,725,336,651		101,455,086,923	