

The background of the slide features a light blue, semi-transparent world map. In the foreground on the right, there is a dark, sculpted hand holding a small, transparent globe. The globe shows the continents and is set against a dark, gradient background that transitions from light blue on the left to dark blue on the right.

Observations on the Business of Urban Transformation:

The Private Sector and Urban Development

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Office of the U.S. Executive Director
The World Bank Group
October 29, 2008

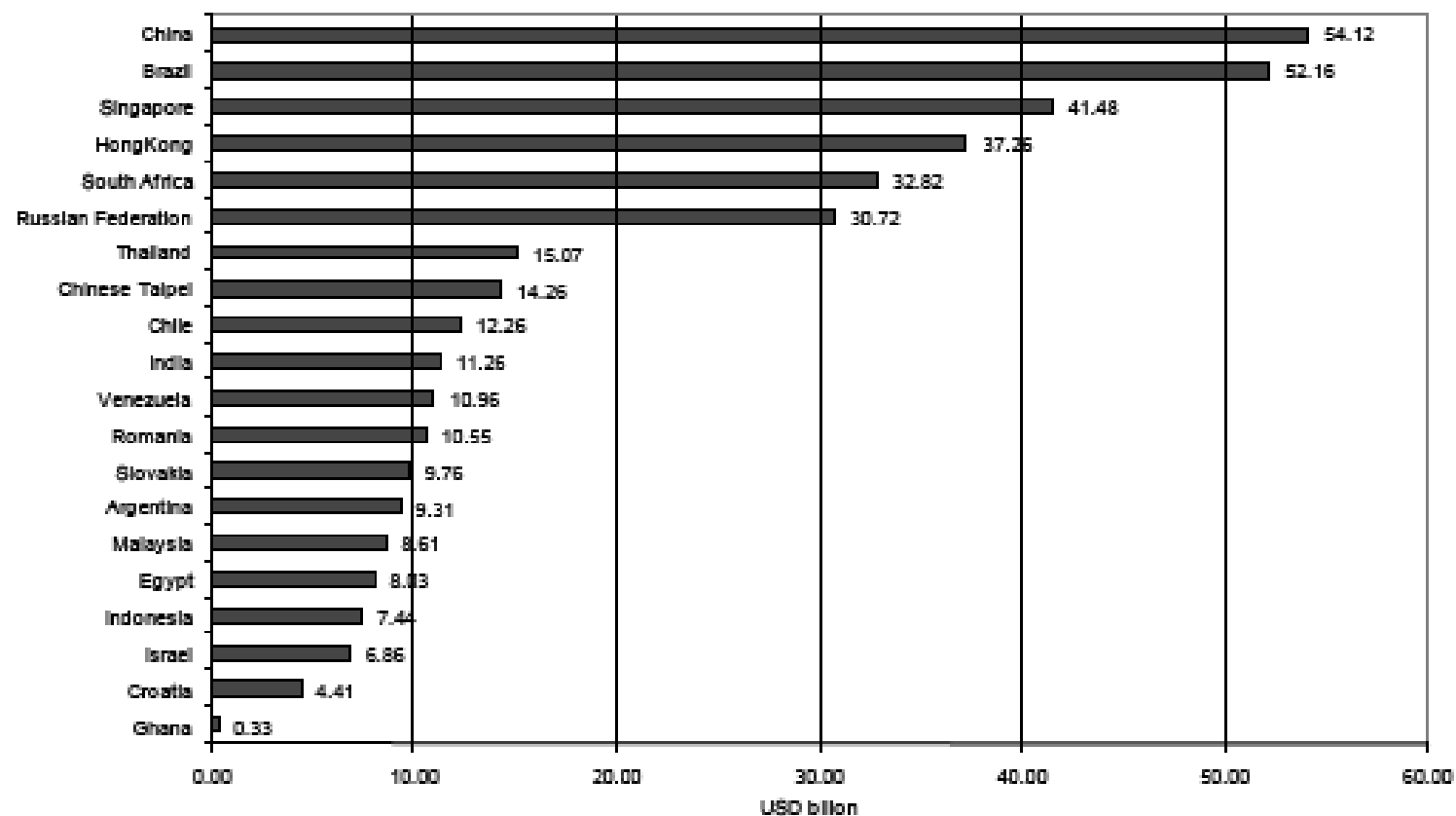
“How can we leverage private sector capital?”

“How can we attract foreign investment?”

Capital goes where it is welcome,
safe, and profitable.

Tom Donahue, President and CEO, U.S. Chamber of Commerce

**Figure 2. FDI outflows from OECD to major non-OECD host countries
2000-2005 (cumulative°**



The Infrastructure Gap

- 884 million people without access to safe water
- 1.6 billion without electricity
- 2.5 billion without sanitation
- Demand for infrastructure investment and maintenance estimated at \$900 billion per annum

Source: World Bank Group: Sustainable Infrastructure Action Plan FY 2009-2011 p. iv

Overview: WBG Infrastructure Financing

Focus on Client Demand for Infrastructure

Dramatic ramp up in infrastructure financing to low and middle income countries

Rebuilding of knowledge base and capacity building, however better measurement of impacts needed

Innovative use of financial and organizational instruments, however need to be done more systematically

Focus on Leverage

Leveraging private resources through financial instruments and advisory services, but requires exponential increase.

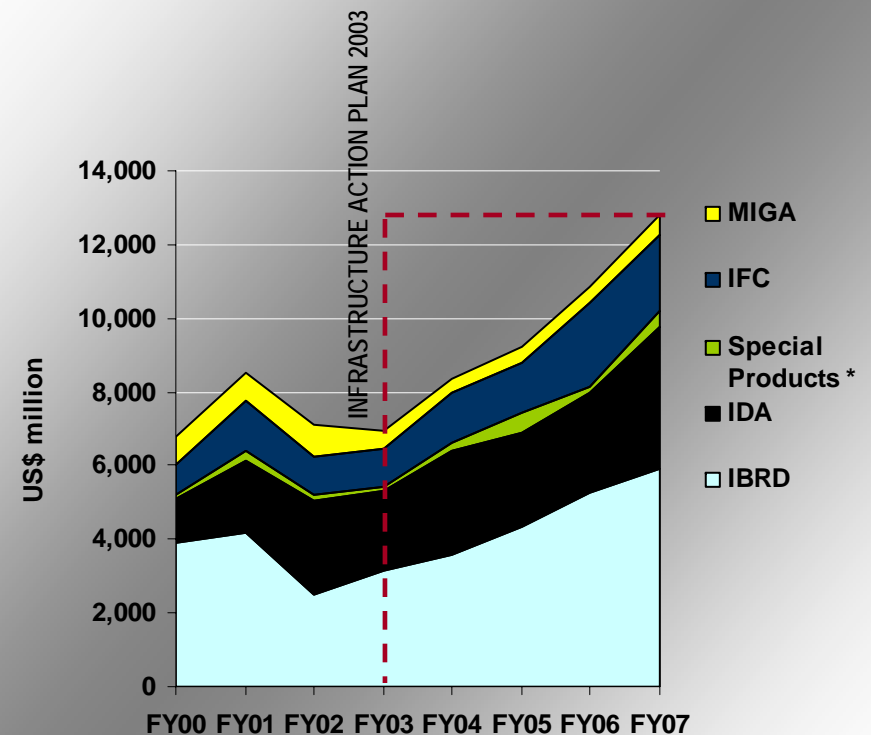
Harmonization among donors - good progress in Africa needs to be extended to other regions

Focus on Sustainability

Integrate social and environmental objectives in infrastructure operations

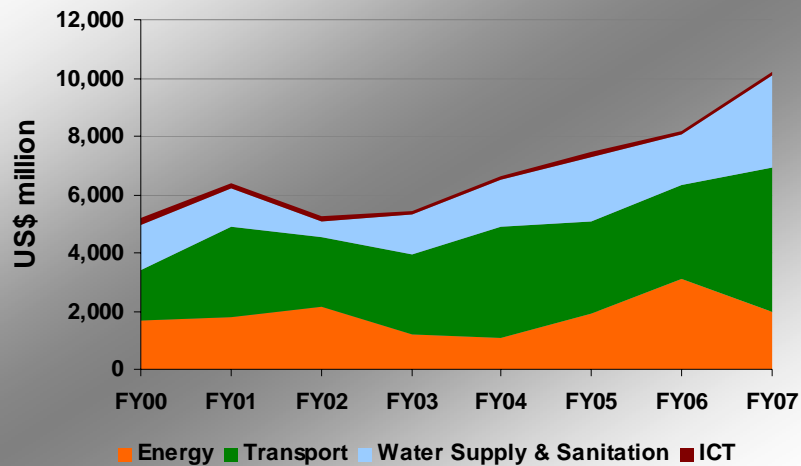
Strengthen governance and accountability

World Bank Group Infrastructure Financing



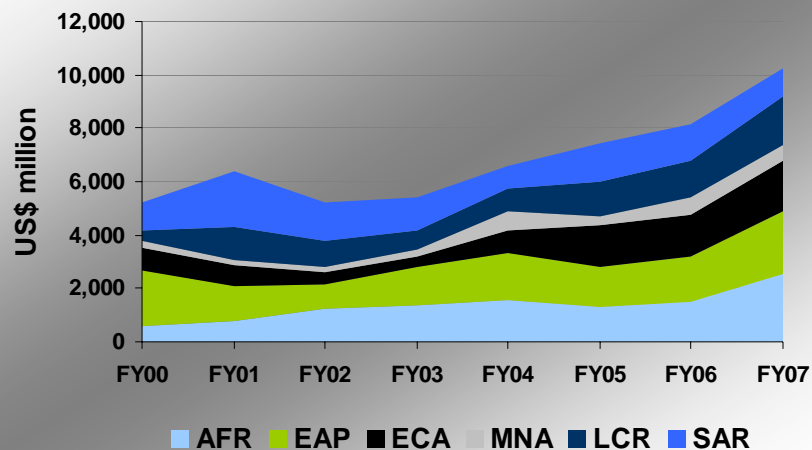
Increased Lending in all Sectors

World Bank Infrastructure Lending by Sector



- US\$31 billion in infrastructure volume during the IAP period (FY04-FY07) vs. US\$22 billion (FY00-FY03)
 - Doubling between FY03 (\$5 billion) and FY07 (\$10 billion)
- Transport sector grew the most
- EAP, AFR largest borrowers
- ECA, LAC biggest ramp up

World Bank Infrastructure Lending by Region



Work with donors to leverage resources for infrastructure

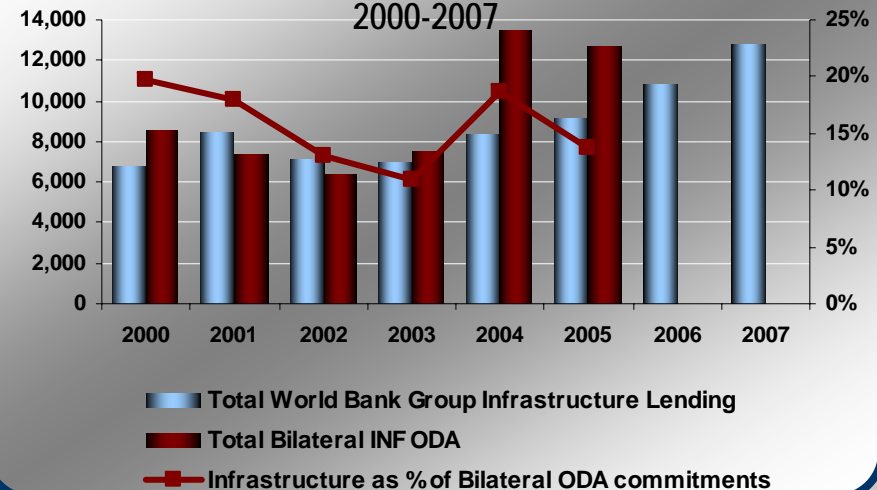
Increased advocacy to bring donors back to infrastructure

Promote further harmonization

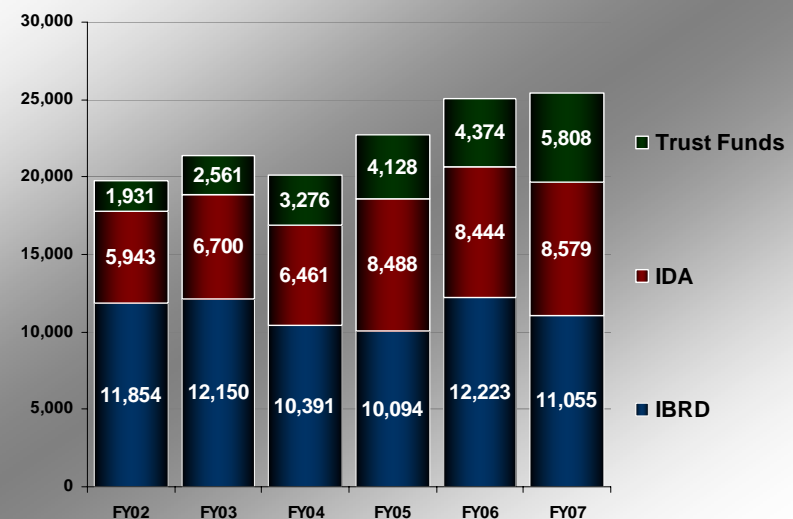
Maximize usage of trust funds for infrastructure
– private and public donors

Fully exploit WBG financial resources

Bilateral ODA and WBG Lending for Infrastructure
2000-2007

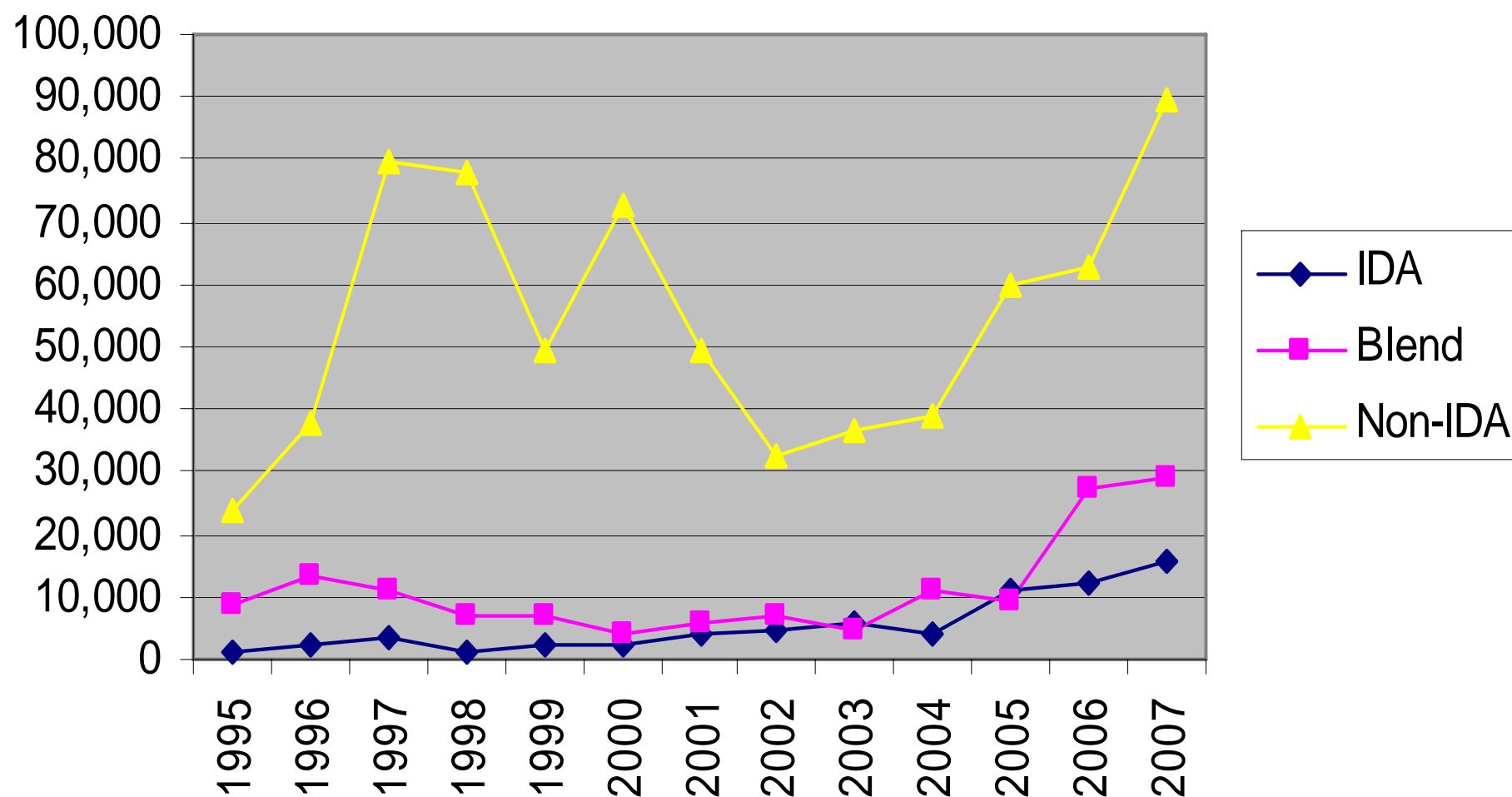


Total IBRD, IDA, Trust Fund Disbursements FY02-FY07



PPP infrastructure investment in IDA & Non-IDA countries

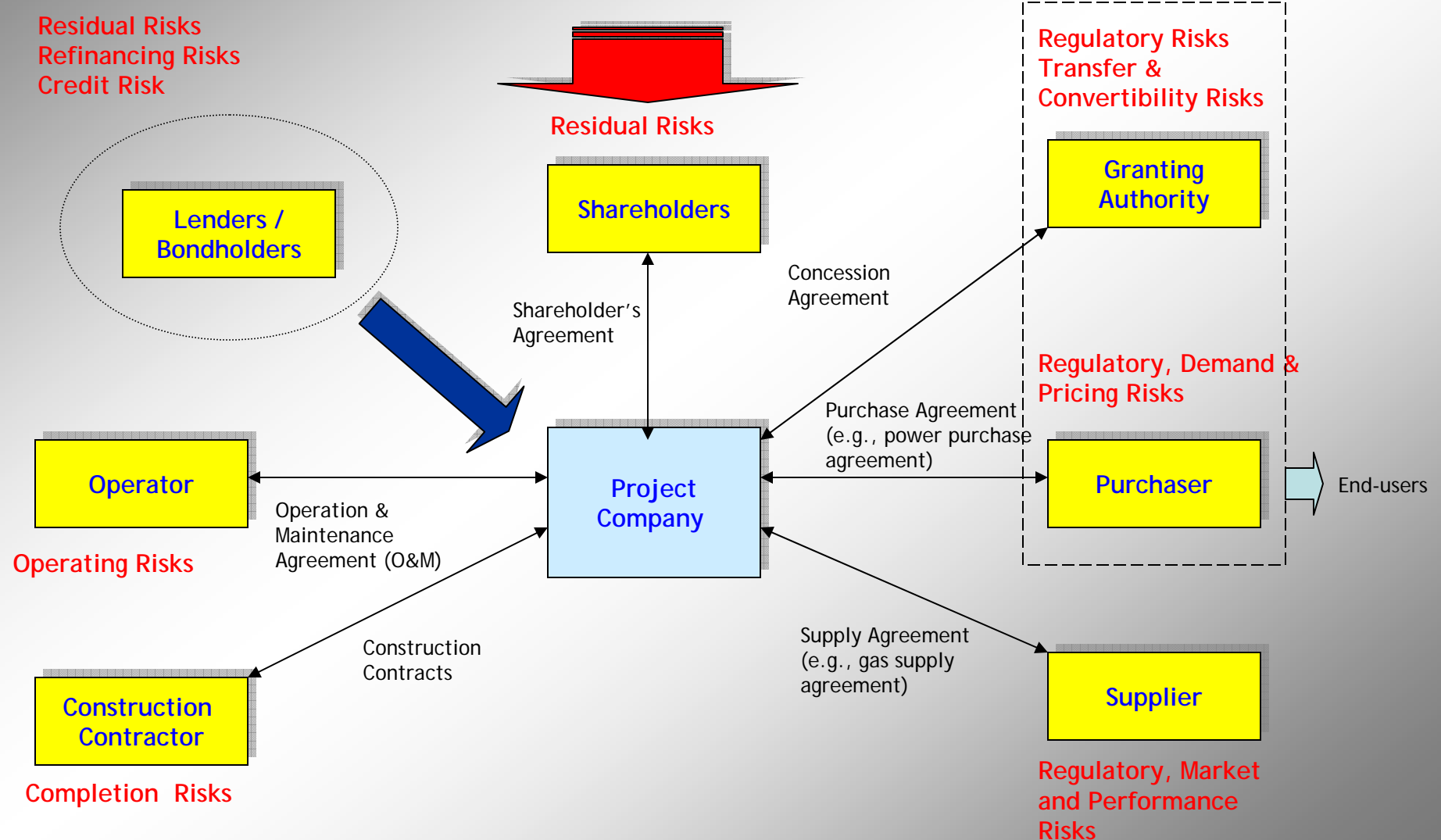
(All sectors - US\$ millions)



Source: The World Bank and PPIAF, PPI Project database

Infrastructure Finance : Risk Allocation

Political and Macroeconomic Risks



PPIAF



**Public Private Infrastructure
Advisory Facility**

What is PPIAF?

- Multi-donor facility
- Established 1999 - Joint Initiative of Japan, UK, WB
- Annual budget \$20 million
- Portfolio: \$115 million
- Managed by the World Bank

What does PPIAF do?

- Small TA grants to foster PPPs:
 - *Infrastructure strategies*
 - *Designing and implementing reforms*
 - *Building consensus*
 - *Developing local capacity*
 - *Pioneering transactions*
- Identify, disseminate and promote best practices on PPP issues
- Average grant: \$230,000, Half < \$75k
- Demand driven model

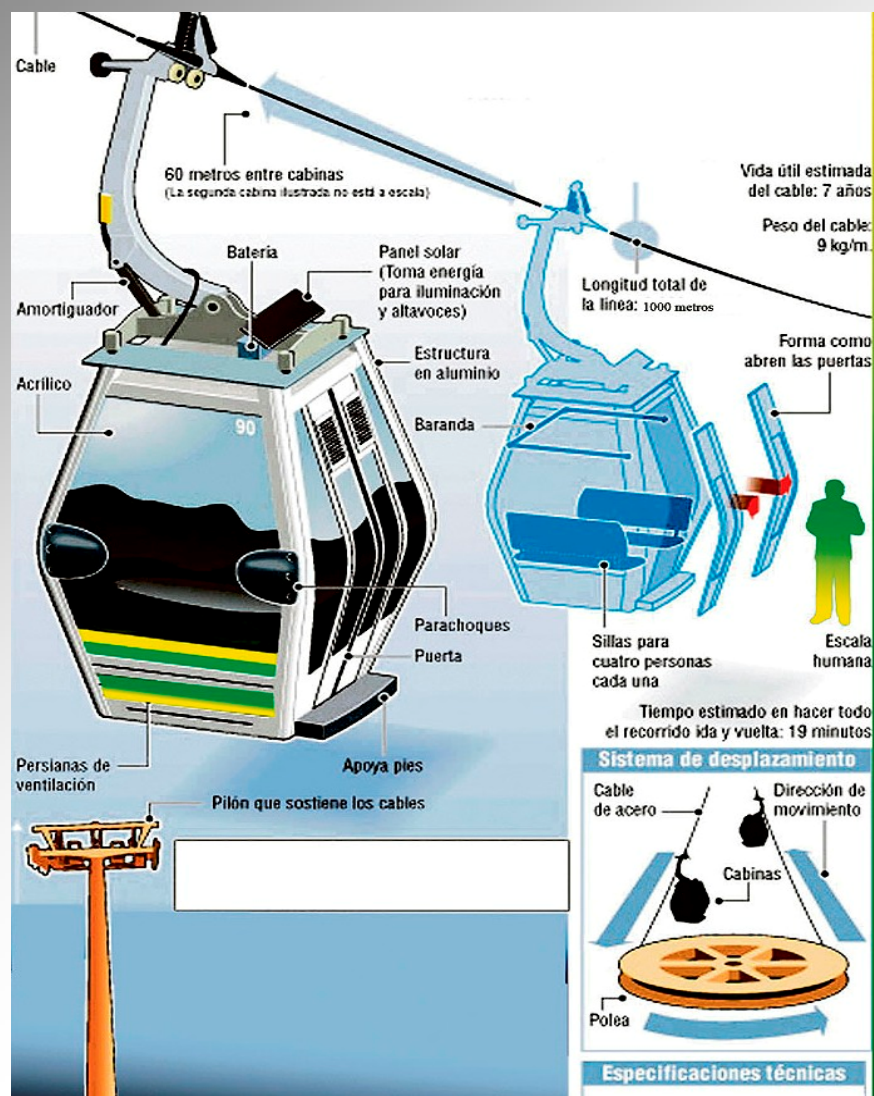
Selected ECA activities

- **Armenia:** Design of universal service fund in the telecoms sector.
- **Armenia:** Transaction advisory support for Armenian Railways concession.
- **BiH:** Capacity building for private participation in Corridor Vc.
- **BiH:** Stakeholder consultation to finalize govt's energy strategy.
- **CAREC:** Support to CAREC electricity regulators fora.
- **Central Asia Regional:** Prep of energy sector development framework.
- **Central-South Asia:** Design of institutional, legal and risk mitigation framework for CA-SA regional electricity trade.
- **Macedonia:** Facilitating private participation in mini-hydro power plants.
- **Macedonia:** Strategy and action plan for reforms in communal services.
- **Serbia:** Design of access regime & tariff framework for rail sector.
- **South East Europe:** Legal/ instl framework for PSP in gas sector.
- **Turkey:** Policy, legal and instl framework for 2nd generation PPP projects.

The Sub-National TA program

- 3 year pilot
- \$7m in first year (IFC, DGF and DFID (tbc))
- TA to help SNs access market based finance without sovereign guarantees
- SNs include state/local govts, utilities, SOEs, DFIs

Colombia: Transport project financial feasibility assessment



- In Bucaramanga Colombia most of the poorest segments of the population live in peri-urban areas among the hills and mountains that surround the city.
- Commuting into the city for jobs is difficult because city buses cannot navigate the steep roads into and out of these areas.
- The city's transport utility wishes to assess the feasibility of cable cars in these areas, similar to those used successfully in other Colombian cities.
- This SNTA activity will assess the financial and economic feasibility for sub-national financing.
- If feasible, the advisors will prepare a financing and implementation plan.
- This is a recipient-executed grant.

SNTA Funding: \$176,000

Swaziland: Borrowing by cities to finance slum upgrading



- Swaziland has decentralized a variety of urban development responsibilities to its cities.
- These cities also now have the authority to finance improvements.
- The two largest cities – Manzini and Mbabane – have investment grade credit ratings.
- This SNTA activity will help selected cities structure borrowings from S. African banks to pay for urgently needed slum upgrading.
- Upgrading plans were developed with support from Cities Alliance.
- Loans will be repaid from a wide array of city revenues.

SNTA Funding: \$315,000

Strategies for Slum Upgrading

There is little clarity on the types of interventions that are most effective or the relative cost effectiveness of alternate strategies.

Source: "Assessing Benefits of Slum Upgrading," Policy Research Working Paper, Dasgupta and Lall, August 2006

Singapore Housing 1961



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Singapore Housing 2008



Singapore Housing and Development Board

- 1960: Housing and Development Board established
- 1960–65: 53,000 units built for 250,000 people at S\$230 million
- 1966–70: 67,000 units for 350,000 people at S\$305 million
- 1971-75: 113,000 units
- 1976-80: 130,000 units
- 1981-85: 100,000 units
- As of 1998, there were about 949,000 housing units nationwide
- About 80-90% of Singapore's population are currently living in HDB flats, with high-density housing being a solution to the problem of overcrowding

Cities Alliance: Essential Ingredients of Slum Upgrading

- Demonstrate political will
- Set national and city targets
- Put it in the budget
- Implement policy reforms
- Ensure open and transparent land markets
- Mobilise non-public sector resources
- Prevent the growth of new slums
- Jobs, jobs, jobs

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Thank you