



The World Bank Group Financing Instruments

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The World Bank Group



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World Bank



**International Bank for Reconstruction and Development - IBRD, 187 members
Start of operations: 1946**



**International Development Association - IDA, 170 members
Founding: 1960**



**International Financial Corporation - IFC
Foundation: 1956, 182 members**



**Multilateral Investment Guarantee Agency - MIGA
Foundation: 1988, 175 members**



**International Center for the Settlement of Investment Disputes - ICSID, 144 members
Foundation: 1966**





IBRD Lending Policy

- Any activity to be consistent with a pre-agreed country partnership strategy
- Lending only to sovereign entities (directly or by guarantee)
 - Brazil is one of the few countries where the Bank also makes loans to state and local governments
- Loans always involve an active dialogue between the Bank and governments on development issues
- The projects, which usually require 50% counterpart funding, are owned and implemented by the borrowing governments
- All projects are integrated into a broader vision



IFC Lending Characteristics

- ✓ Participates only in private sector ventures
- ✓ Shares same risks as other investors
- ✓ Invests in equity
- ✓ Market pricing policies
- ✓ No government guarantees
- ✓ Is profit oriented





IBRD Loan Instruments

● Types of Investment Loans

- Specific Investment
- Technical Assistance
- Learning and Innovation
- Financial Intermediation
- SWAp
- P4R
- Adaptable Programs
- Emergency Recovery

● Financial Terms

- <http://treasury.worldbank.org>

● Development Policy Loans (normally without counterpart funding)

- Guarantees
- Technical Assistance
- AAA
- Reimbursable Advisory Services

- MIGA: Political Risk Insurance
 - Expropriation, breach of contract etc.



Services Offered by IFC

- **Financial products:** loans, equity, guarantees, risk management products (incl. transactions in many local currencies)
- **Resource mobilization:** loan participations and structured finance
- **Technical assistance and advisory services:** on environmental/social performance, links with small businesses, corporate governance, capacity building, investment climate – many other issues



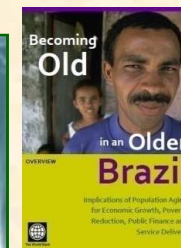


Other IBRD Activities

- Besides lending, the Bank also promotes
 - discussion on cross-cutting, global issues, e.g. Climate Change
 - manages thematic Trust Funds
 - sector studies
 - discussion fora

Examples of recent publications on Brazil

- Brazil Low Carbon Study
- Impacts of Climate Change on Agriculture
- Economic Analysis of Biodiesel in Brazil
- Amazon Dieback
- Environmental Licensing in the Amazon
- Improving Fiscal Circumstances for Growth





Green and Inclusive Growth

... economic growth that is environmentally sustainable, i.e.

- Clean, efficient and resilient to disasters
 - ... but that is also inclusive
- Not a new paradigm, but the attempt to put sustainable development into practice
- An approach for countries to achieve robust growth without locking themselves into unsustainable development patterns
- As even environmentally sustainable growth is not inherently inclusive, need for specific policies to ensure that the poor benefit





GIG in the agriculture sector

- **Efficient** – Improvements in yields of crops and livestock
 - Investment in agricultural research
 - Water use efficiency
- **Clean** – Reduction of pollution; Cleaner production systems
 - Reducing methane emissions from livestock
 - Adoption of organic fertilizers, conservation agriculture
- **Resilient** - Building resilience to climate change into agricultural production systems
 - Hydrometeorology and water management
 - Drought tolerant varieties
 - Financial instruments for risk management – insurance, reserves
- **Inclusive** – Inclusion of small producers in production chains





... on biofuels and bioenergy

- IBRD's work mostly focused on AAA
- Private sector engagement → IFC leading role
 - Usina São João - USJ: Investment program to increase USJ's sugar cane crushing capacity from 5.5 to 10 million metric tons per year, with most of the expansion in sugar cane supply coming from small and medium farmers in the state of Goiás that currently farm lower return crops
 - IFC contribution:
 - ✓ Provides necessary **long term financing** (US\$40million) for the expansion plan of a well-managed sugar producer
 - ✓ Supports **renewable energy** through increase in cogeneration capacity
 - ✓ Provides technical assistance in the **implementation of a clean production program**
 - ✓ Assists the Company in its **sales of Carbon credits**
 - ✓ Assists the Company in **enhancing its environmental and social management system**





Climate change dimension ...

- Globally, absolute financing gap ~\$100 billion p.a
- In long term, could be filled by a combination of:
 - Growing market for carbon trading (aimed at \$100 billion) and
 - Policy instruments such as carbon taxes
 - In the interim, concessional financing considered critical to catalyze increased flow of commercial capital



MDBs joining forces ...

To establish a portfolio of funds and deliver financing to

- Scale up investments to meet the challenge of climate change
- Stimulate the potential of public and private sectors to address CC
- Complement other multilateral financial mechanisms
- Prevent proliferation of many small initiatives
- Provide coherence in financing





World Bank Role: Host of financing tools

Instruments

- Clean Technology Fund
- Strategic Climate Fund
- Forest Investment Fund
- Climate Resilience Pilot Program (IDA portfolio)
- Global Environment Facility – GEF

... accessible by all International Financing Institutions





Objective

Help developing countries undertake

- nationally appropriate mitigation actions in the context of sustainable development
- without compromising growth
- by transferring finance and technology from developed countries, promote South - South
- in a measureable, reportable and verifiable manner





What is needed for success?

Efficient and effective use of innovative financing instruments requires

- A strategy for bundling and processing of financial flows from different sources
- Consideration public co-benefits
- Integration of innovative financing instruments (e.g. climate finance) with development planning, policy making and financing for sustainable development
- Willingness to take risks
- ... and a mainstreaming plan for successful pilots.





Thank You!

www.worldbank.org/pt/country/brazil

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The World Bank