

DEVELOPING PROJECTS IN FRONTIER MARKETS

Working with World Bank Group:
Myanmar Myingyan Project Case Study

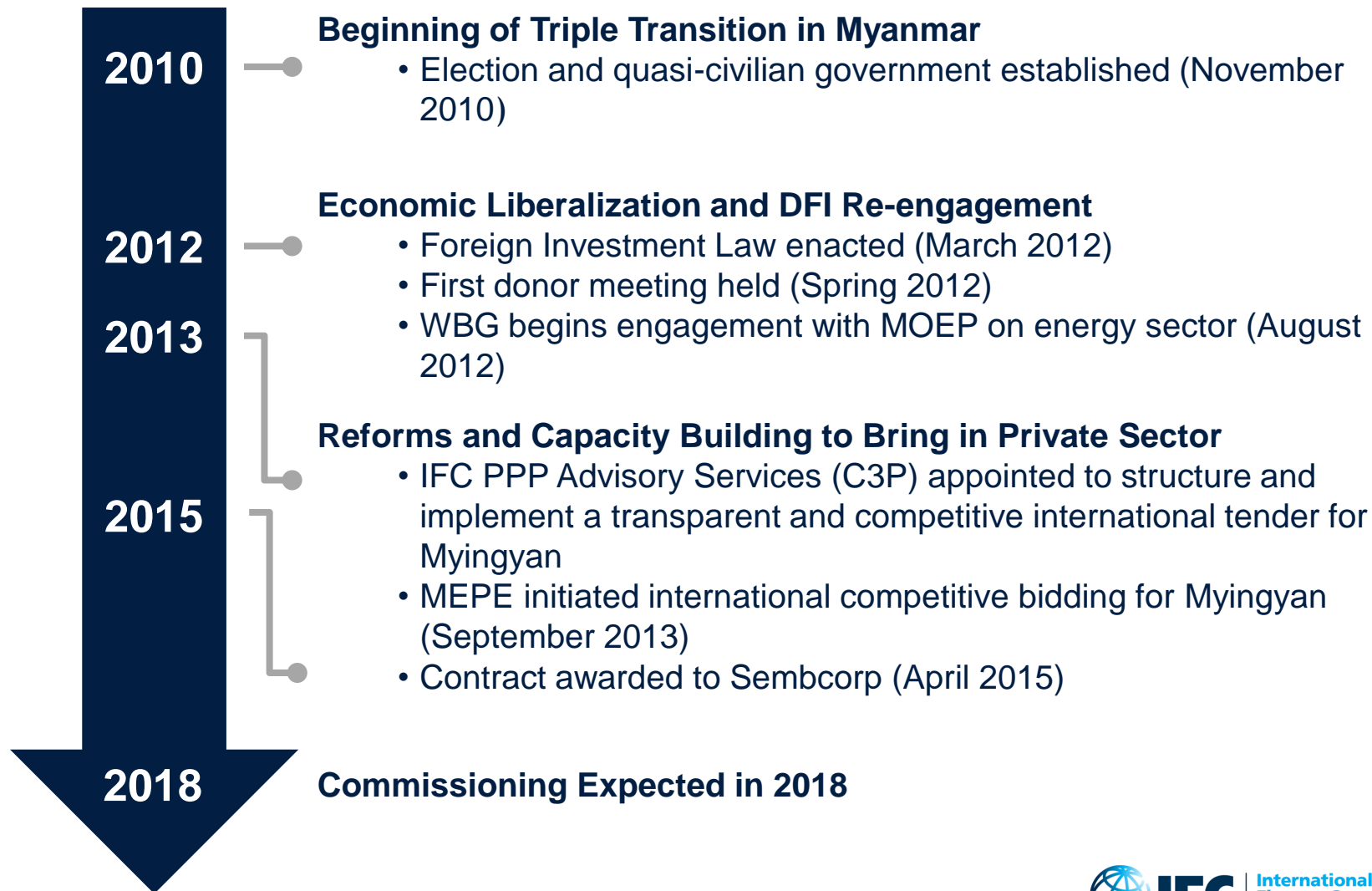


Creating Markets, Creating Opportunities

Myingyan Project Background

- WBG and other Development Partners Re-engaged in Myanmar after 25 years of Absence
 - Myanmar began a triple transition to a democratic government, market-oriented economy, and peace in border areas (2010)
- Myanmar's Power Sector Quickly Emerged as a Key Development Priority
 - In 2012, about 75% of the population had no access to grid electricity (GDP per Capita of US\$1,105)
 - Electricity consumption was about kWh per capita: among the lowest in the world
 - Only 3,500MW of installed generation capacity
 - 67% from hydro – which resources reduce significantly during summer when demand peaks
 - 700MW (20%) from gas-fired – inefficient single-cycle power plants
 - Off-grid schemes: rare, typically expensive, and unreliable
 - WBG management began engaging with Myanmar's energy sector to introduce competitive private sector participation
- Development Impact of Myingyan Project
 - Increase the country's available gas generation capacity by about 50%
 - Adoption of IFC and MIGA performance standards will mitigate E&S risks and set a high standard for future projects
 - Lead to further private sector IPP projects by creating a bankable environment

Change Takes Time



Private Sector Concerns in Myingyan Project

Private Sector Concerns

Nascent local financial sector could not finance the project

Foreign financiers required risk mitigations and project guarantees

Rapidly changing legislative regime and precarious position related to foreign currency reserves

WBG Mitigation

IFC provided a 20-year loan of US\$57 mn (of which US\$20 mn flows from AIIB) ADB and off-shore commercial lenders provided the remaining debt

WBG and other DFI partners offered a menu of risk mitigation products, including MIGA's political risk instruments and World Bank's partial risk guarantees

MIGA provided "Four-point Cover"

Key Takeaways

- For PPPs, engage early and at a high level with governments and multilaterals
 - Korean developers and EPC players have good track record and RFP submissions, but fall short on relationship building
- Be patient in securing PPPs and EPC contracts
- Select local partners with integrity but without the political baggage
- Understand the tools / strengths / weaknesses of multilaterals and financing banks
 - Test private sector appetite early
- Structure the transaction with a long-term perspective

WBG's Maximizing Finance for Development – the Cascade Approach



1 COMMERCIAL FINANCING

Can commercial financing be cost-effectively mobilized for sustainable investment? If not...

2 UPSTREAM REFORMS & MARKET FAILURES

- Country and Sector Policies
- Regulations and Pricing
- Institutions and Capacity

Can upstream reforms be put in place to address market failures? If not...

3 PUBLIC AND CONCESSIONAL RESOURCES FOR RISK INSTRUMENTS & CREDIT ENHANCEMENTS

- Guarantees
- First Loss

Can risk instruments & credit enhancements cost-effectively cover remaining risks? If not...

4 PUBLIC & CONCESSIONAL FINANCING, INCLUDING SUB-SOVEREIGN

- Public finance (incl. national development banks and domestic SWF)
- MDBs and DFIs

Can development objectives be resolved with scarce public financing?

IFC's Synergies within the World Bank Group

– IDA Private Sector Window (PSW)

IDA Private Sector Window의 신설을 통해 최빈국 및 분쟁국 (IDA and FCS 국가)의 근본적인 민간투자 제약사항을 해소하기 위해 적극적으로 노력하고 있습니다



List of FCS Countries

Country	Population	GDP per Capita (US\$)
Afghanistan	34.7 mn	584.0
Burundi	10.5 mn	303.7
Central African Rep.	4.6 mn	348.4
Chad	14.5 mn	777.2
Comoros	0.8 mn	727.6
Congo, Dem. Rep.	78.7 mn	474.9
Congo, Rep.	5.1 mn	1,721.1
Cote d'Ivoire	23.7 mn	1,420.6
Djibouti	0.9 mn	1,862.2
Eritrea	4.5 mn	N/A
Gambia, The	2.0 mn	474.7
Guinea-Bissau	1.8 mn	596.9
Haiti	10.8 mn	814.5
Kiribati	0.1 mn	1,424.5
Kosovo	1.8 mn	3,574.5
Liberia	4.6 mn	452.0
Mali	18.0 mn	729.7
Marshall Islands	53,066	3,385.9

Country	Population	GDP per Capita (US\$)
Micronesia	0.1 mn	3,016.0
Mozambique	28.8 mn	528.3
Myanmar	52.9 mn	1,194.6
Papua New Guinea	8.1 mn	2,182.7*
Sierra Leone	7.4 mn	587.5
Solomon Islands	599,419	1,922.0
Somalia	14.3 mn	426.0
South Sudan	12.2 mn	758.7
Sudan	39.6 mn	2,513.9
Syria	18.4 mn	N/A
Togo	7.6 mn	551.1
Tuvalu	11,097	2,970.0
Yemen, Rep.	27.6 mn	1,401.9
West Bank and Gaza	4.6 mn	2,865.8
Zimbabwe	16.2 mn	1,018.7
Iraq	37.2 mn	4,974.0
Lebanon	6.0 mn	8,046.6
Libya	6.3 mn	N/A