



8th Vienna Economic Forum

Financing Regional Investments – the World Bank perspective and support viewed through a river lens

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- On-going financial crisis requires budget support, banks recapitalization and reforms
- But simultaneous need for investment finance
 - Economic growth
 - Job creation
 - Better integrated economies in the region
 - More effective utilization of public funds and public-private partnerships
 - Stronger attention to infrastructure that supports economic growth



Regional Investment Programs

- World Bank strongly supports regional development programs
- Political Strategy, Vision (eg. Danube Region Strategy) → Implementation Framework and Investment Prioritization
- Regional/ trans-boundary programs allow countries to generate special economic, social and political benefits:
 - Better prioritization of investments (eg. for trade)
 - Economies of scale (eg. in power generation)
 - Synergies and connectivity (eg. transport – industrial dev.)
 - Win-win investments (eg. hydropower – flood protection)
 - Integrate the *protection* and *productive* uses of river system



Regional Investment Programs

Need to consolidate national development plans at regional scale

Regional Strategy > \sum National Strategies

“Upstream” planning helps to identify priorities:

- Jointly across borders
- Integrated across sectors

But “regional” adds complexity and implementation risk:

- Each country (Parliament, MoF, Sector Ministry, ...) must confirm priority and finance for investment + recurrent budgets
- Often mis-match between national and regional priorities (eg. water supply vs. wastewater, etc.)
- Need to synchronize implementation time-line between countries



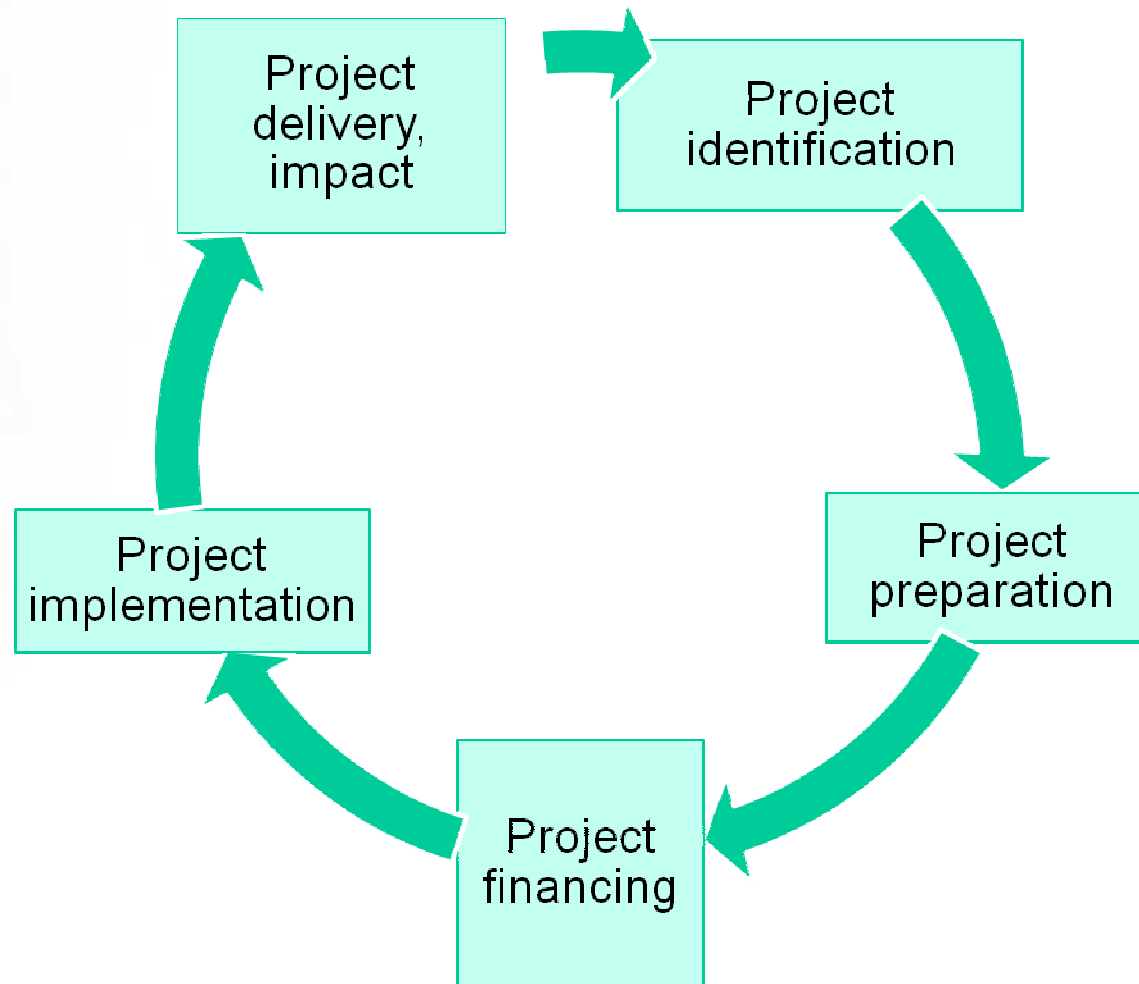
Water cuts across many sectors ...

- ... complex to reconcile multiple demands but we can find *win-wins*
 - Navigation and ports
 - Energy and hydropower
 - Flood protection
 - Environment, fish and biodiversity
 - Agriculture
 - Climate Change adaptation
 - Urban Water Supply & Wastewater treatment
 - Tourism
 - etc...
- ➔ Combine the *productive* with the *protection* functions



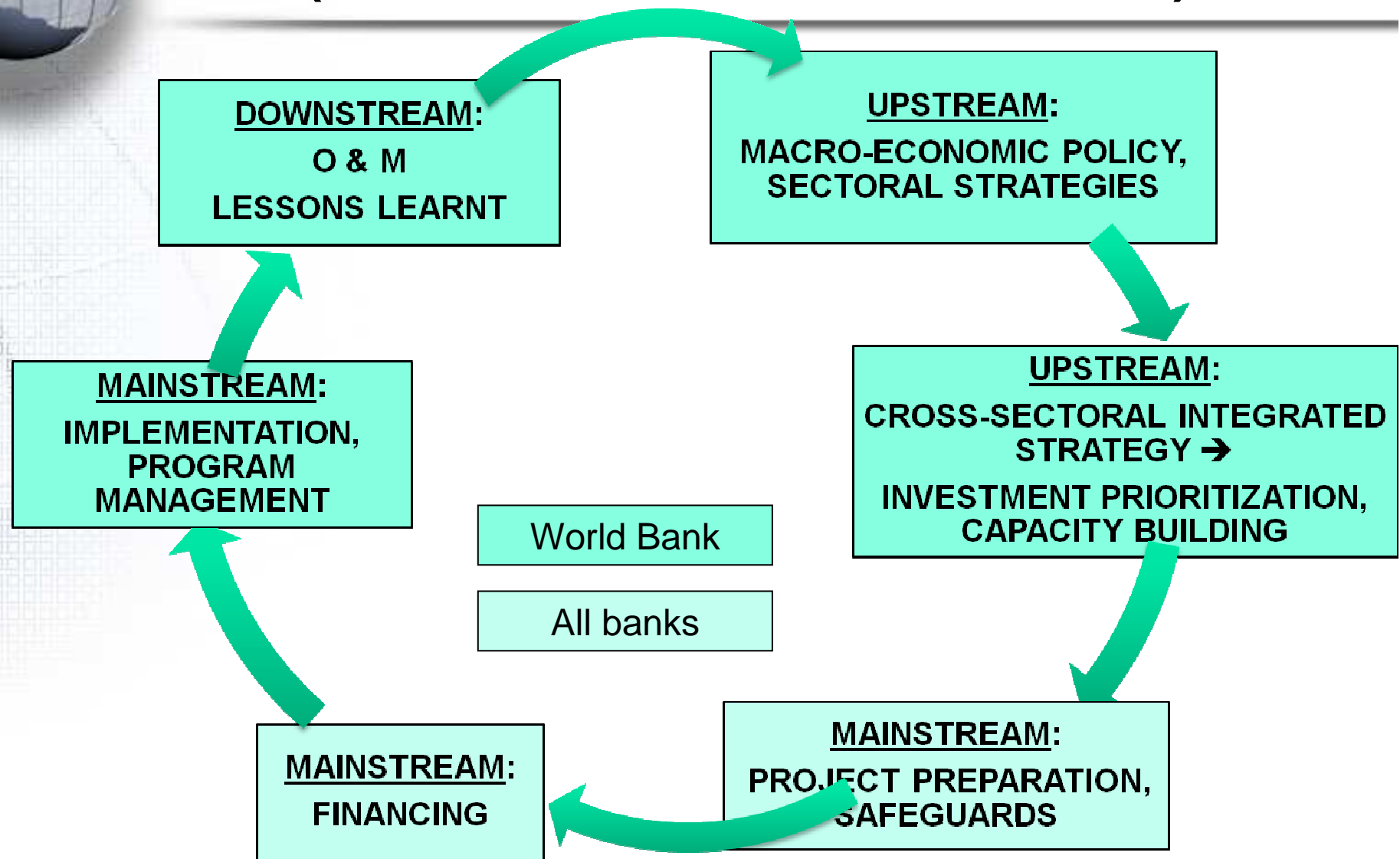


Regional development requires not traditional *Project Cycle* ...





.. but a *Program Cycle* (here World Bank can add value)





Requirements for mature investments

- Robust prioritization through Framework
 - Across national budget: Is money not better spent on education ...?
 - Across the sectors: No better technical alternative (road vs. shipping) ?
 - Long-term strategy (“strategic action plan”) with few high-priority “next steps” (too often: wish lists)
- Realism
 - Cut costs, then cut them again
 - Rigorous economic and financial feasibility analysis from national AND regional perspectives
 - Financial sustainability (End-users, local governments, national agencies) – need cost-recovery, tariffs & secure O&M budget
 - Procurement, designs, permits ...
- Safeguards, especially social, are crucial
- Key challenge: needs are high, but administrative absorption capacity often constrained



Options how WB could support

1. Limited financing from WB
2. Partner for EU, EIB, CEB, ... countries, and other stakeholders (business, private sector, ...)
3. Collaborate in regional coordination and financing platforms with DG Regio, EIB, CEB, etc.
 - West Balkans Investment Facility
 - Romania: Functional Reviews of Administration
 - Bulgaria:
 - Roads and transport investment strategy
 - Water Supply Investment Planning



Options how WB could support

4. Prepare regional cross-sectoral strategies and prioritize financing – Maybe start with a *Danube navigation—environment strategy* ?
 - ➔ Regional strengths and opportunities analysis for trade and transportation/ navigation
 - ➔ Trade-offs and synergies between navigation and port development, and environmental objectives
 - ➔ Short- and medium-term integrated investment strategy and framework for region, and for each country



Options how WB could collaborate

5. Other cross-sectoral strategies and priority financing at region scale

- *green energy, hydropower , flood protection and environment*
 - suite of priority investments + institutional strengthening
- Danube Region Water Supply and Wastewater Capacity Building (on-going) (partnership of Austria with World Bank)
- Social inclusion
- Innovation investments and competitiveness



Options how WB could collaborate

6. Regional goals + national investment envelopes:
 - Policy analysis, Public Expenditure Reviews
 - Knowledge products and capacity building
(through reimbursable services)
 - Strengthening of national administrative systems:
 - Macro-economic stability and policies
 - Harmonization across region
 - Transposition of EU Directives
 - Preparedness for investment implementation and fund absorption
 - Robust planning under **climate change** scenarios (eg. Sava)
 - **Trade-offs** between “productive” and “protective” investments (nature values)
 - Robust priority investments



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Thank You