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NEWS

World Bank uses blockchain to make transactions transparent 4

New hedging facility to make cross-currency swaps cheaper 4

Financial stability risk from insurers' private assets 4

India's capital markets enjoy stellar year 24

Nine in the pipeline for World Bank debt swaps 24

SPECIAL REPORT

Egypt

PAGES 9-16



HYBRID CAPITAL

AfDB leading the way

PAGE 7

WORLD BANK

Keeping climate finance on track

PAGES 17-18

World Bank pins hope on private sector as savage aid cuts bite

By Arthur Bautzer, Phil Thornton, Steve Gilmore

Low income countries and development finance organisations are scrambling to find ways to make up for devastating cuts to official development assistance by the world's leading donors.

For the first time for nearly 30 years, four of the biggest donors — France, Germany, the UK and the US — all cut their ODA in 2024. If they go ahead with announced cuts this year, it will be the first time in history that

all four have cut ODA simultaneously for two years in a row.

World Bank and International Monetary Fund officials argue private sector solutions could alleviate some of the shortfalls, but many doubt it.

“We all recognise the fact that the realities of the world have changed and there is a scarcity of ODA,” said Ewa Korczyk, practice manager at the World Bank, at an Atlantic Council debate on Tuesday. “We recognise that the solutions need to

Continued on page 22



Health programmes in developing countries are being cut

Europe tries to keep defence spending boom close to home

By Francesca Young

President Donald Trump urged European defence spending higher this year with threats of not defending Nato allies, even though European purchases of US weaponry had hit a record high last year.

Trump partly wants European countries to pay a fair share — but many believe he also wants them to buy more equipment from US companies.

European countries have different priorities.

Continued on page 3

Central bank calls for CBDCs look plaintive as stablecoins race ahead

By Steve Gilmore, Frank Jackman, Arthur Bautzer, Francesca Young

Central banks are striving to keep control of the cryptocurrency wave by launching their own digital currencies — but they are moving too slowly and risk being left in the dust as private sector stablecoins sweep all before them.

“In India we are of the view that CBDC is the answer for

cross-border payments,” said Sanjay Malhotra, governor of the Reserve Bank of India, in an onstage interview at the International Monetary Fund on Wednesday.

But unless other countries also adopt CBDCs, India will not see the benefits, Malhotra admitted.

The country is expanding its CBDC pilot programme and launched a retail sandbox for the e-rupee earlier this month.



Sanjay Malhotra: 'CBDC is the answer'

But in the meantime, stablecoins outstanding globally have

Continued on page 3

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Beginnings never end

Central bank tortoises struggle to keep up with stablecoin hares

Continued from page 1

hit \$280bn, according to analysts at Citigroup.

"I would rather urge all those presidents from central banks and other jurisdictions that we need to promote the CBDC, because this has huge advantages over stablecoins," Malhotra said. "[CBDC] can be tokenised, it can reduce [the cost of] cross-border payments while being fiat, having the advantages of the integrity of money."

Concern among central bankers that stablecoins might eat CBDCs' lunch is palpable, but in truth there is "no CBDC lunch to eat," said Timothy Massad, a senior fellow at the Brookings Institution's Center on Regulation and Markets.

The Atlantic Council has counted 137 countries and currency unions, representing 98% of global GDP, which are exploring a CBDC. But just three have actually launched one — the Bahamas, Jamaica and Nigeria.

Progress on CBDCs from major global central banks is limited. China is testing a CBDC — the e-CNY. "But you have seen very limited take-up," Massad told *GlobalMarkets*.

That is not because China is using stablecoins, but because it already has a fast payments system in Ali-pay and WeChat Pay.

The European Central Bank has said 2029 is a realistic date to have its CBDC ready and launched, but this is likely to be a best case scenario.

"No one believes quick moves should be done," Lithuania's vice-minister of finance Januš Kizenevič told *GM*. A eurozone CBDC was definitely needed, he said. But there are also "huge financial risks" that mean a broader, deeper conversation is needed before anything is launched, he added.

Yet by 2030, when the ECB's proposed CBDC may be only months old, Citi analysts expect stablecoins outstanding to have reached \$1.9tr in a base case and \$4tr in a bull case. Their predicted band for stablecoin-based transaction activity is \$100tr to \$200tr.

Dante Disparte, chief strategy officer at Circle, the world's largest regulated stablecoin issuer, pointed to emerging use cases that were "impossible when stablecoins were on the edge of finance".

This includes using stablecoins as collateral in capital markets. "You've seen announcements from



Deutsche Börse in Europe partnering with Circle and using our euro-denominated stablecoin as a new form of collateral," Disparte said.

Last week, 10 leading international banks announced they were jointly exploring a 1:1 stablecoin backed by G7 currencies.

But stablecoins' success does not mean CBDCs are doomed. Tom Zschach, chief innovation officer at Swift, expects dollar-denominated stablecoins, tokenised commercial bank deposits and CBDCs to exist side by side — likely serving different use cases.

He pointed to Dubai as a vision of this financial future: "They have all three live, or soon to be live: a central bank digital currency, a tokenised deposit and a stablecoin for things like remittances."

Lithuania's Kizenevič: building European defence capacity 'no quick win'

Continued from page 1



Kizenevič: keen to attract investment from western Europe

Those splashing the cash are increasingly keen to build factories and keep advanced technology closer to home.

Poland is the forerunner in central and eastern Europe in ramping up defence manufacturing. Last year it had Nato's highest level of defence spending as a share of GDP.

But other countries are now getting in on the action, spurred on by disbursements from the European Union's €150bn Security Action For Europe joint borrowing scheme, set up in May.

SAFE is meant to support member states' defence readiness by providing cheap, long term loans to help them make urgent and major investments in support

of the European defence industry, especially to close critical capability gaps.

The highest amounts allocated were announced September as Poland at €43.7bn, Romania €16.7bn and Hungary and France each €16.2bn.

LITHUANIA BUILDING FACTORIES

But even countries that took smaller amounts are highly motivated to build industry of this type. Lithuania has borrowed €6.3bn and Januš Kizenevič, its vice-minister of finance, told *GlobalMarkets* on Wednesday that his country fully expects to be part of the solution of spending more European defence money within Europe.

Lithuania also strongly wants to attract further western European investment in its defence manufacturing industry.

Lithuania has increased its defence spending. It was around 3% of GDP last year, 4% this year and over the next five years is projected to reach 5.5%.

Trump demanded earlier this year that Nato allies raise defence spending to 5% of GDP, saying in March "If they don't pay, I'm not going to defend them."

But those threats have raised fears in Europe about depending too heavily on buying arms from the US. A policy brief by the Bruegel thinktank, published on Monday, said US military sales to Europe ballooned from an average of \$11bn annually in 2017-21 to \$68bn in 2024.

Policymakers are keen for Europe to develop its own military industrial base.

In Lithuania, German defence group Rheinmetall started this year building a modern ammunition production facility, which Kizenevič described as a "first milestone" of this kind of investment.

GlobalMarkets understands the Lithuanian government is in talks with other similar companies. "We believe that other German companies and maybe a French company will be following Rheinmetall," Kizenevič said.

The Bruegel report said US defence manufacturing would not easily be replaced, even with substantial investment. Some US technology is unrivalled, and many weaponry parts are manufactured there. But the thinktank stressed the pressure on Europe to build its own capabilities, as Europe's dependency gives the US leverage in multiple policy areas.

"Unfortunately, this is not going to be a quick win," said Kizenevič. "It's a long term strategy, and with the defence sector under-invested, not only in Lithuania, but in neighbouring countries in western Europe, we have to do a lot, but in a smart way. We can't just spend money as quickly as we can on it — the biggest job is to spend in a sustainable way."

Kizenevič said Lithuania was keen to attract military and defence investments and saw this as a key area for future security. The need was clearer

in eastern Europe than western, he said — and that was reflected in budget allocations.

SPAIN FEELS THE HEAT

Nato allies agreed at a summit in June to meet Trump's demand to spend 5% of GDP on defence. Spain was the only country that did not commit, only agreeing to 2.1%. Attention was drawn to this again this week as Trump threatened tariffs on Spain because of it.

Rheinmetall also unveiled plans last month to build a new ammunition plant in Latvia.

"The more we can produce in Lithuania, the better protected we are from all geopolitical shocks and from all supply chain disruptions," said Kizenevič.

"We considered the Rheinmetall investment to be a very positive response from our Nato partners Germany and are encouraged that they believe Lithuania is good place to develop such investment. We believe it is only the first milestone for this type of investment. We can do much more, and not only in ammunition manufacturing, but also drones manufacturing and other equipment manufacturing. Our focus is on attracting such investment, because we see it as crucial."

As well as looking to foreign companies for investment, Lithuania also has plans to refresh an existing but small and old ammunition factory.

World Bank uses blockchain to shine light on project spending

By Phil Thornton

The World Bank is aiming to put 250 projects on a blockchain-based tool to make funds more traceable and help client countries improve transparency in public finances, the World Bank Group's chief financial officer has told *GlobalMarkets*.

Called FundsChain, the new tracking tool has been successfully tested in 13 projects in 10 countries. It will now be scaled up by the end of the Bank's current fiscal year in June 2026. It makes the Bank the first multilateral development lender to use a blockchain system for tracking funds.

"The beauty of this is that once you upload your documents and you put your records there, it's there for everyone to see. It's completely transparent, it is immutable," Anshula Kant told *GlobalMarkets*.

"We are scaling up — 250 in terms of number and 70% of our project financing," she said. "It's not that the remaining projects we don't want to cover. The

remaining ones are different types of lending instruments which are not amenable to this kind of documentation."

Early adopters include the Philippines, where it was used for the World Bank's \$500m Metro Manila Flood Management Project to improve infrastructure and reduce flood risks.

In Bangladesh, it supports the International Development Association's \$600m Bangladesh Resilience, Entrepreneurship and Livelihood Improvement Project, intended to benefit 115,000 individuals in 3,200 villages.

The Bank wants every player engaged in a development project — partners, borrowers, auditors and country recipients — to be able to track how funds are used.

Traditional practices mean borrowers often use manual tracking methods and paper records of payments, leading to inefficiencies for countries and the World Bank. Keeping track of records is important to enable auditors to scruti-



Metro Manila: pumping station to help reduce flooding

tinise where money has gone and how it has been used, without having to search in multiple places for documents.

By using cryptographic techniques, distributed ledger technology and internet infrastructure, FundsChain's platform modernises this process with automated record management and provides a tamper-resistant, mobile-accessible monitoring system.

In theory, once information is recorded, it cannot be altered. For example, when a contractor uploads an invoice to the platform and government agencies delay payment, this becomes visible to all stakeholders.

EU backs new TCX hedge facility to cut cost of €2bn of local currency loans

By Frank Jackman

A new hedging facility has been set up to make cross-currency swaps cheaper for development lending. The aim is to enable more loans to be made in emerging and frontier markets' own currencies, and at longer tenors.

The up to €150m hedge guarantee facility, run by the Currency Exchange Fund (TCX) and supported by the European Commission and EDFI Management Co, was launched on Monday. EDFI is the Association of European Development Finance Institutions.

Being able to borrow in their own currency is helpful to many borrowers, as they do not face foreign exchange risk. However, development lenders do not want this risk either. Finding counterparties willing to provide swaps between dollars and smaller, volatile currencies at a reasonable cost is hard.

TCX was set up in 2007 by a group of DFIs to act as a non-commercial swap counterparty for currency risks that commercial banks would not handle cost-effectively. It has \$1.55bn of available capital and carries \$8.4bn of derivatives, with \$3.2bn of net exposure, as of the end of 2024.

"The core purpose [of this guarantee

facility] is to make transactions happen that wouldn't have otherwise happened because of local currency pricing," said Ruurd Brouwer, CEO of TCX in Amsterdam. "The presence of this guarantee allows us to offer significantly lower local currency rates."

The €150m is new money from the EC and EDFI Management which can protect TCX against losses it suffers.

The new facility should "support about €2bn of [local currency] transactions," Brouwer said, "making it by far the largest blended facility ever. There have been a couple of other big ones, but those were dedicated to a single multilateral. This is open to all."

The new scheme follows a €20m pilot programme, closed in 2024, that supported €120m of loans. Unlike the pilot, this facility is open to a wider range of countries, covering lending to Asia Pacific, the European neighbourhood, the Middle East, sub-Saharan Africa and the western Balkans. The pilot scheme only covered Africa and the Middle East.

Under the guarantee agreement, when a loan made by a DFI or commercial bank matures, if there is a loss in the hedge, TCX can deduct this

from funds backing the guarantee, instead of covering it with its own resources.

"Under the pilot programme, we offered a discount of 2%-5% on the dollar leg," Brouwer said. "It's substantial if you can get a 5% reduction on the interest rate."

Brouwer believes this will be particularly useful for loans made in frontier currencies or at longer tenors, where the cost is typically higher.

As a result of the savings available, "there was huge interest in the facility even before it was launched," Brouwer said. "When it was still being negotiated, we heard from several potential investors who couldn't get projects off the ground because they couldn't take on the FX risk. We know there is already a reservoir of transactions waiting for this facility to go live."

Unlike other hedging guarantees, the costs are deducted only when the loan matures, meaning funds are not used upfront. Because of this, if the hard currency depreciates against the EM one, the funds might not need to be used.



Brouwer: reservoir of potential transactions

Life insurers' love of private assets risks sudden shocks

By Arthur Bautzer

Financial supervisors are worried the rise of life insurance companies' investment in alternative assets could endanger financial stability.

By 2022, life insurers held \$35tr in assets, up from \$14tr two decades earlier. These assets, previously mainly high quality bonds and equities, are increasingly private.

Low interest rates until 2021 and growing private equity investment in life insurance companies pushed many to seek alternative sources of yield. That led them to private assets, often bought through opaque offshore structures.

Jonathan Dixon, secretary general of the International Association of Insurance Supervisors, warned on Monday at a discussion hosted by the International Monetary Fund that the shift to private assets could threaten financial stability.

The median insurance company globally now has 11% of its assets in complex or private assets, according to the International Association of Insurance Supervisors' Global Insurance Market Report. Of that, 2% is in securitizations, 7% in loans and mortgages, 1% in infrastructure and 1% in unlisted equities. But the upper quartile allocations are much higher.

Dixon pointed to three risks. First, insurers could be forced into fire sales of illiquid alternative assets, destabilising markets.

Second, life insurers might be obliged to "recapture" risk sold off to reinsurers. "If this happens on a mass scale, there could be a situation where this forces insurers into asset sell-offs," Dixon said.

Finally, he argued a deterioration in credit conditions could make life insurers pull back from providing financing, which "could severely restrict credit supply".

A further complication is the trend of private equity funds buying life insurance companies. Moody's says there were \$75bn of private equity-related life insurance M&A transactions between 2019 and 2024, half of all M&A in the sector.

"The interconnectedness between asset managers and life insurers increases the risks for contagion," Dixon argued on Monday.

In part spurred on by private equity owners, life insurers have transferred hundreds of billions of reserves to Bermuda, which allows them to optimise reserves and capital. According to Moody's, \$836bn of life insurer reserves are now held in the British overseas territory.

Further capital optimisation comes from often complex reinsurance contracts, often with other offshore entities. Scott White, president-elect of the US National Association of Insurance Commissioners, complained of a "lack of transparency" in reinsurance.

Supervisors agreed data sharing and collaboration between jurisdictions would be essential to managing potential risks to financial stability.



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News

1-4

22-24

Capital markets

7 AFDB'S SECOND HYBRID

MDB hybrids find their audience with bank capital investors

Mainstream credit investors pile in, reducing reliance on hedge funds

Sponsored section

9-16 INVESTING IN EGYPT

Egypt is reaping the rewards of tough decisions to unlock economic growth

EGYPT 2

CIB INTERVIEW

GlobalMarkets speaks to Islam Zekry, Group Chief Finance and Operation Officer, CIB

EGYPT 3-5

EGYPT'S SHIFT FROM STABILITY TO SUSTAINABLE GROWTH

After allowing the pound to float, Egypt is attracting growing private investment

EGYPT 6-8

GREEN FINANCE IN EGYPT: FROM FOUNDATIONS TO SCALE

Helped by regulation, green finance is growing as Egypt seeks regional leadership

Development finance

17-18 WORLD BANK

World Bank seeks smart ways to keep climate finance on track

As the largest multilateral funder of climate investments in developing countries, the World Bank Group is urgently needed by people suffering from the effects of global warming. With its largest shareholder unenthusiastic about climate issues, the Bank will need to act wisely if it is to keep helping them

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21 AGENDA

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AfDB's second hybrid finds its audience with bank capital investors



We were very happy with the overall result compared to the first trade — it has shown a huge amount of progress”

—Keith Werner, division manager, capital markets, African Development Bank

Mainstream credit investors pile in, reducing reliance on hedge funds

By Jon Hay, Sarah Ainsworth, Addison Gong

The African Development Bank reaffirmed its commitment to hybrid capital issuance in September by launching its second such bond for \$500m — silencing any suggestions that it may have been secretly dissatisfied with its ground-breaking first transaction in January 2024.

The new deal was priced at a wider spread over AfDB's senior bonds than the first. But Keith Werner, division manager, capital markets at AfDB in Abidjan, said: “We were very happy with the overall result compared to the first trade — it has shown a huge amount of progress.” Above all, the issuer was pleased to reach a much broader investor base.

The AfDB is leading the way among multilateral development banks in introducing hybrid capital to their balance sheets.

Its \$750m deal last year was the first from a major, triple-A rated MDB, and encouraged others including Corporación Andina de Fomento, Banque Ouest-Africaine de Développement and Africa Finance Corp to sell public deals.

The AfDB's deeply subordinated, perpetual structure enables it to gain 100% equity credit from all three rating agencies and account for the deal as equity.

The World Bank has said it will issue a \$1bn pilot public hybrid, but it and other top tier MDBs are not rushing to do so, because the pricing demanded by investors so far is not to their liking. The World Bank lends only to governments at very low, concessional rates, so raising money at 165bp over US Treasuries — as the AfDB did — would be costly.

For commercial banks, hybrid capital is effectively cheap equity. But MDBs' equity is free, so hybrid capital is more expensive than normal equity.

For MDBs like the AfDB, which feel they have an urgent need to expand their develop-

ment financing, and which lend partly to private sector borrowers paying higher spreads, raising expensive equity can be worthwhile if it enables them to benefit their shareholders by lending more.

PATIENT GROUNDWORK

The AfDB had always said its hybrid capital issuance would be programmatic, and over the past 20 months has met investors around the world to market it.

Led by BNP Paribas and Goldman Sachs (structuring agents) and Citigroup, HSBC and UBS, the perpetual bond is callable after 9.9 years and rated Aa3/AA- by Moody's and S&P. It was priced on September 23 to yield 5.875%, attracting \$3.65bn of demand.

A key metric for any MDB is how much more it pays to issue a hybrid compared with a senior bond of the same maturity.

The measure “is something we're very sensitive to,” said Werner, “because we're going to be passing the cost through to the borrowers.”

Before its first deal, the AfDB was determined to get this spread down to the 100bp-150bp range, and it achieved 134bp.

In the secondary market, the first hybrid has often traded much wider than that.

This time, the AfDB had to pay 150bp-155bp over its senior debt cost — more than the last time, but much tighter than some of the levels the first hybrid has touched.

FINDING A HOME

The highlight of the sale for AfDB was the investor book. The difficulty in placing the first bond had been finding suitable investors.

The usual buyers of supranational, sovereign and agency bonds do not buy subordinated debt with call options and potential writedowns.

The instrument is most similar to private sector banks' additional tier one (AT1) capital securities, but the AfDB, with senior debt at Aaa/AAA/AAA, is much better rated and did not want to pay the sort of spreads they pay on AT1.

The first deal leaned very heavily on hedge funds and specialised credit funds,

which were the main ones with flexible mandates, willing to try a completely new kind of instrument.

Critics of MDB hybrids saw the bond widen in the secondary market last year and pointed to its hedge fund-heavy investor base, alleging that the original pricing had been based on short term, momentum-driven interest.

The first trade had 275-plus investors bidding and 190 allocated. It went 55% to hedge funds and specialised credit funds, 28% to asset managers, and the other 17% to central banks, pension funds, insurance companies and private banks.

The book for the second deal was very different. Asset managers were allocated 60% of the bonds, hedge funds 29%, pension funds and insurance companies 9% and banks and private banks 2%. There were over 200 investors.

“We do not want to diminish the value of hedge funds — they're still very important buyers of credit,” said Damian Saunders, syndicate manager at BNP Paribas in London. “But we did want the focus to shift to long-term holders and real money accounts.” Saunders said there was “a very high overlap” between buyers of the AfDB's deal and AT1 buyers — even though the AfDB's was at least 70bp tighter than the best AT1s.

RIGHT NICHE

The AfDB's last regular capital increase was in 2020, with capital due to arrive by 2030.

“In terms of the trajectory we have for our capital cycle to 2030, there is no additional constraint — we are able to hit the projected [lending] targets we set out in 2020,” Werner said. “This is additive — the hybrid is enabling us to go above and beyond that trajectory, to bring in more capital to increase lending.”

He said the bank wanted to “avoid any big jumps. We are not going to be doing any really big hybrid issuance. We will continue to do what we've been doing on a regular basis with benchmark-size trades and continue to contribute to the development of the asset class.” **GM**



Sidi Ould Tah was elected president of the African Development Bank Group in May



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2 | EGYPT SPECIAL REPORT: Interview

ISLAM ZEKRY

GROUP CHIEF FINANCE AND OPERATION OFFICER AND EXECUTIVE BOARD MEMBER, CIB

What trends or developments will shape the operating environment for Egyptian banks in the coming years, and how is CIB preparing to respond?

Egypt's banking landscape is being reshaped by accelerated digital adoption, rising financial inclusion and closer sector integration. Services are moving rapidly towards e-wallets and contactless payments, supported by national payment rails such as Instapay and the Instant Payment Network.

Financial inclusion reached 75% by end-2024, with around 52 million Egyptians aged 15 and over actively using accounts across banks, mobile wallets or prepaid cards. The Central Bank of Egypt (CBE) has also introduced Meeza and Apple Pay, licensed fully digital banks and adopted e-KYC, broadening access and speeding innovation.

CIB has undertaken a bank-wide digital transformation. We upgraded internet and mobile banking with a modern interface and a wider set of services including instant account opening, bill payments, certificate and investment product requests, and guardian account management for minors.

Under our Bank of the Future programme, in-branch services for Business Banking clients are now delivered through CIB Business Online, streamlining transactions and reducing reliance on frontline processing.

In 2024, CIB became the first private sector bank in Egypt to launch Apple Pay, bringing secure, convenient mobile payments to customers. We also use behavioural analytics and data-driven insights to tailor products to evolving needs.

What have been some of CIB's key financial and strategic achievements over the past year?

We reported \$1bn in net profit in 2024 and a total net interest margin of 9.5%. That performance reflects disciplined execution on digital transformation and customer-centric services.

We launched Apple Pay and a fully redesigned mobile app. We deployed artificial intelligence-driven tools, including virtual assistants, to enhance engagement and streamline services. We expanded access for small and medium-sized enterprises and surpassed CBE's 25% inclusion mandate.

On sustainability, we advanced a decarbonisation initiative with the International

Finance Corp and deepened our environmental, social and governance priorities, reinforcing CIB's leadership in inclusive and resilient banking.

How is CIB expanding its regional presence, and what role do you see in supporting cross-border trade and financial connectivity across Africa?

We are executing a long-term Africa strategy anchored in Kenya as a regional hub, with three pillars: regional presence, cross-border trade facilitation and financial connectivity infrastructure.

Leveraging the Egypt-Kenya corridor, we are extending reach into neighbouring markets and replicating capabilities across economies.

CIB enables cross-border commerce through tailored trade finance, cash management and structured lending, helping Egyptian exporters and African clients navigate multi-jurisdictional flows.

Priority sectors include textiles, consumer durables and construction, where tailored solutions support regional expansion, combining transactional products with advisory support.

To deepen connectivity, we are enhancing cross-border payments, onboarding and trade-related liquidity services for SMEs, corporates and high net worth individuals.

Our approach aligns with regional initiatives across the East African Community and the Intergovernmental Authority on Development, and with continent-wide interoperability efforts.

We have joined the African Continental Free Trade Area to facilitate cross-border transactions and are exploring partnerships with the Pan-African Payment and Settlement System to reduce settlement frictions.

Through our Africa Business Desk and advisory platforms, we also provide ESG-aligned financing, knowledge transfer on corporate governance and risk frameworks that support consistent service standards across affiliates.

How is CIB expanding its approach to sustainability and ESG, and what initiatives or milestones have been achieved so far?

Our Sustainable Finance System & Strategy has embedded sustainability across the bank. In 2021 we partnered with the IFC to issue Egypt's first corporate green bond of \$100m, financing renewable energy, industrial energy efficiency, green buildings and resource efficiency.



Since then we have mobilised over \$333m in blended finance and secured \$9.12m in grants from the International Financial Corporation, European Bank for Reconstruction and Development and Proparco.

In December 2024 we concluded a three year agreement with the IFC to support client transitions in hard-to-abate sectors including oil and gas, power, real estate, steel, aluminium and cement — developing sector pathways and customised transition plans.

We recognised climate risk early and have published Taskforce on Climate-related Financial Disclosure reports annually since 2022. The third report emphasises transition planning in high-emission sectors, marking a shift from internal readiness to outward client engagement. We also act as a convener and catalyst by building alliances, contributing to transition standards and hosting regional dialogues to enable orderly and just transitions.

Finally, what role is innovation playing in CIB's transformation, and which technologies or services are reshaping how you serve clients?

Innovation underpins our shift to an efficient, agile, and customer-centric model. We upgraded digital channels using in-house capabilities to optimize features and improve experience. CIB has introduced modern payment solutions, such as tokenized cards, to enhance accessibility and security.

Our Retail Transformation Team conceptualizes, develops, and implements initiatives. We transformed our channel architecture with cross-platform technology for a native-like mobile experience and adopted microservices to improve scalability and resilience — supporting a consistent omnichannel experience. ●



EGYPT'S SHIFT FROM STABILITY TO SUSTAINABLE GROWTH

Egypt has taken some painful decisions to unlock faster economic growth, such as allowing the pound to float. It is now beginning to reap the rewards, with an improving balance of trade and growing foreign exchange reserves. Even better, private sector investment is accelerating, and has overtaken public investment. With technical education expanding, Egypt is poised to establish itself as a regional trading hub

Egypt has weathered a turbulent decade, marked by external shocks, currency volatility and heavy reliance on debt-led growth. But today, policymakers and investors alike are looking forward. As structural reforms gain traction and private sector investment climbs, the country is positioning itself for a more dynamic, export-oriented future.

Over the past 18 months, Egypt has taken decisive steps to reset its economic trajectory. The March 2024 currency devaluation, alongside a new International Monetary Fund programme, were a painful but necessary inflection point.

For James Swanston, senior emerging markets economist at Capital Economics, this year has brought more evidence that Egypt's tide has turned. "Inflation is coming down quickly," he says, "and there's greater competitiveness in sectors like textiles, chemicals and auto components. The pain of last year's policy shift is

starting to subside, and the benefits are beginning to show."

That export competitiveness stems from a more flexible pound. Since the exchange rate was liberalised in March 2024, the currency has largely been driven by market forces, says Ravi Bhatia, lead analyst for sovereign ratings Africa at Fitch Ratings. "GDP growth has begun to improve, and the liberalisation has also attracted tourism inflows and foreign remittances."

After absorbing external shocks like disruptions to revenues from the Suez Canal, Egypt's balance of payments deficit is narrowing again. Foreign exchange reserves have risen. The government's efforts have stabilised the economy, brought much-needed resilience and laid the foundation for growth.

PRIVATE SECTOR AT THE CENTRE

For long term investors, the message is clear: Egypt is emerging from its latest period of macroeconomic adjustment

with stronger fundamentals, a more competitive business environment and a clear commitment to private sector-led growth.

HE Dr Rania A. Al-Mashat, Egypt's Minister of Planning, Economic Development and International Cooperation, stresses that the state's reform agenda is focused on creating more room for the private sector.

"We are implementing ambitious reforms to attract domestic and foreign investment, improve competitiveness and shift toward tradable sectors," she says. "Public investment in the 2025/26 fiscal year is capped at around E£1.1tr [\$23bn], with strict compliance measures overseen by the Ministry. This is to encourage private sector investments, which are projected to reach E£1.9tr [\$40tr] over the same period."

Even before the new fiscal year, the numbers told an encouraging story. Private investment accelerated by over 24% year-on-year in the third quarter of the 2024/25 fiscal year, which ended

“ We are implementing ambitious reforms to attract domestic and foreign investment, improve competitiveness and shift toward tradable sectors ”

—HE Dr Rania A. Al-Mashat, Egypt's Minister of Planning, Economic Development and International Cooperation

Picture: Construction of buses at the Geyushi Automotive Industry factory in Sharqia, March 2025

4 | EGYPT SPECIAL REPORT: Economic Outlook

“Inflation is coming down quickly, and there’s greater competitiveness in sectors like textiles, chemicals and auto components. The pain of last year’s policy shift is starting to subside, and the benefits are beginning to show”

—James Swanston, senior emerging markets economist at Capital Economics

in June. That meant it exceeded public investment for the third consecutive quarter, according to the Ministry of Planning, Economic Development and International Cooperation (MIC).

To support this shift, the MIC has launched innovative mechanisms such as the Hafiz platform, providing advisory and financing tools to companies of all sizes.

BUILDING CONFIDENCE WITH INTERNATIONAL PARTNERS

Egypt’s ability to mobilise international partnerships has been a cornerstone of its recovery strategy. Through its partnerships with the European Union, World Bank, International Finance Corporation, European Bank for Reconstruction and Development and other international institutions, the MIC has helped unlock billions of dollars in finance, aimed at the private sector.

“Beneficiaries have included start-ups, small and medium-sized enterprises and large corporations,” says Al-Mashat. “Financing instruments have ranged from credit lines and concessional development loans to direct equity participation, investment guarantees and technical



HE Dr Rania A. Al-Mashat, Egypt’s Minister of Planning, Economic Development and International Cooperation: public investment is capped to encourage private investment

support. These outcomes reflect growing international confidence in Egypt’s investment climate and the expanding role of the private sector in driving economic growth.”

By end-March 2025, the development finance portfolio stood at nearly \$23bn, funding 195 projects across renewable energy, food security, health, education and infrastructure.

A flagship example is the Egypt-EU Strategic Partnership, under which the EU’s EFSD+ investment guarantee platform could mobilise up to €5bn in public and private investments between 2024 and 2027.

These partnerships serve two purposes: they bring in capital at scale and they build global investor confidence — increasingly visible in macroeconomic indicators and international assessments.

“The reforms implemented by the state have already been reflected in GDP growth, inflation improvements and a stabilised foreign exchange market,” Al-Mashat says. “International reports from the IMF, World Bank and credit rating agencies now confirm a positive outlook for Egypt’s economy.”

UNCTAD’s 2024 World Investment Report ranked Egypt ninth globally and first in Africa for foreign direct investment inflows, with \$47bn in new investment — up sharply from \$10bn in 2023.

Analysts say sustained foreign investment will indicate the country’s

trajectory. “One of the clearest signals will be FDI flows — not just into government bonds or deposits, but into equity, manufacturing and operations,” says Swanston. “That shift would mark a genuine change from debt-led growth to investment-led growth.”

SECTORAL SHIFTS AND NEW GROWTH DRIVERS

Foreign capital will be vital to making Egypt’s growth more diverse. Non-petroleum manufacturing, information and communication technology, financial services, transport and tourism are already leading sectors. But there is still untapped potential.

“Egypt sits on one of the key trading routes of the world,” says Swanston. “If it can leverage the Suez Canal more effectively — through privatisation, investment and port development — it has a natural advantage to attract FDI and boost exports.”

Investments in ports, logistics hubs and free zones are designed to position Egypt as a regional trade gateway. Al-Mashat says there is structural transformation in the Egyptian economy toward tradable and exportable sectors, leveraging geography and the various infrastructure mega-projects implemented by the state over the last decade. “The Egyptian economy,” she says, “is prepared to occupy its position as a regional hub for energy, trade and logistics, and as an export hub to various countries of the world.”

Structural reforms and competitiveness

Sustaining momentum will depend on deeper structural reforms. Egypt’s National Structural Reform Program prioritises three areas:

- 1. Macroeconomic stability** — keeping the pound flexible, inflation under control and fiscal discipline intact. The liberalisation of the exchange rate and tighter monetary policy were painful adjustments, but they have helped narrow external imbalances and restore investor confidence.
- 2. Business environment** — reducing red tape, improving licensing and ensuring competitive neutrality through the new State-Owned Enterprises Law and Competition Authority reforms. Recent moves to digitise customs clearance and automate licensing have helped cut some delays, but investors still highlight complexity as a barrier.
- 3. Green transition** — Egypt has launched a voluntary carbon market, created sustainability indices on the Egyptian Exchange, and is preparing a national green taxonomy. The regulator has issued a legal framework for green bonds.

"As we celebrate 50 years of CIB's remarkable journey, I am deeply proud to have been part of this institution. CIB's legacy is one of strength, trust, and unwavering commitment to excellence. It has been an honor to contribute to an organization built on such solid values"

At the same time, sustaining this transition will depend on developing human capital to match new growth sectors. The government has expanded technical education initiatives and is promoting digital skills to prepare graduates for industries such as ICT and advanced manufacturing.

"Education is critical," says Swanson. "Egypt has a young population, but it needs better tools

and skills to move into high-value sectors, whether that's manufacturing, AI or data centres. Without that, it will struggle to attract higher quality foreign investment."

After years of turbulence, Egypt is entering a new phase: one defined less by crisis management and more by opportunity. Currency flexibility, structural reforms and international partnerships have set the stage.

Private investment is rising, exports are strengthening, and the green and digital transitions are opening new frontiers. Egypt is not only stabilising — it is positioning itself as one of the most attractive emerging market opportunities in the years ahead. ●



Hisham Ezz Al Arab, CEO and Board Member, CIB

Turning change into opportunity: 50 years of CIB

Islam Zekry, group chief finance and operation officer and executive board member of CIB, reflects in an interview with *GlobalMarkets* on the bank's achievements in supporting Egypt's economic growth and social development — and looks ahead to how CIB plans to serve future generations

As CIB marks its 50th anniversary, what milestones stand out in the bank's journey?

CIB's 50 year journey mirrors the transformation of Egypt's banking industry. We have grown from a single-purpose corporate lender to the nation's largest private sector financial institution and a regional benchmark for performance, innovation and governance.

Along the way, we have been a first mover in shaping the market:

- The first Egyptian bank to implement Basel capital standards (2012)
- The first to launch a Security Operations Centre
- The first to issue a green bond
- The only Arab and African company included in the Bloomberg Gender Equality Index
- The first major private sector bank to expand into sub-Saharan Africa, via our acquisition of CIB Kenya in 2023

Our story has been the subject of case studies at Harvard and London Business School. Most importantly, we have paired financial performance with social impact, through the CIB Foundation, which has reached over 74 million children since 2010.

How has CIB's role in Egypt's financial system evolved over the

decades, and what has remained constant in its mission and values?

Since separating from Chase Manhattan in 1987, we have grown from a niche corporate bank into a fully integrated financial institution serving Egypt's largest companies, a rapidly expanding consumer base and the country's growing SME sector.

What has remained constant is our foundation:

- Disciplined governance and adherence to global standards
- A long-term view on value creation for customers, communities and shareholders
- A belief in financial services as an engine of national prosperity

What does this anniversary mean to your employees and stakeholders?

This milestone celebrates the people who built CIB, from a small team of visionaries to a workforce of over 8,000 professionals powering one of the most respected financial institutions in the region. For our employees, it reaffirms the culture that makes CIB unique — a place where merit drives progress, innovation is rewarded and every colleague plays a part in shaping Egypt's financial future.

For our investors, it reinforces that CIB is a long-term value creator. Over the past two decades, we have



Jamie Dimon, chairman and CEO of JPMorgan Chase, whose predecessor Chase Manhattan Bank was an original shareholder in CIB from 1975 to 1987, sent a message of congratulation for CIB's anniversary.

"Today [CIB] has grown to become the country's largest private sector bank," Dimon said. "That achievement and your continued success are a testament to innovation, ambition and visionary leadership."

Addressing CIB's CEO, Hisham Ezz Al-Arab, Dimon said: "I applaud all the work you've done to transform Egypt's banking sector and to create an entrepreneurial culture that continues to drive growth in Egypt and across Africa. We are really proud that you are JP Morgan alumni.

"We share that drive and spirit at JP Morgan, along with the common values of integrity and a commitment to excellence."

delivered sustained outperformance across all metrics, including a twentyfold increase in market capitalisation since 2002.

How has CIB maintained resilience through periods of change?

Our strength lies in a model that blends conservative financial management with bold strategic execution. We have weathered multiple external shocks — from global financial crises to currency devaluations — by staying true to our principles. These include prudent risk management, healthy capital buffers and liquidity positions, and forward-looking asset allocation.

Our success is also defined by agility. We have consistently adapted our operating model to seize emerging opportunities.

Looking ahead, how does CIB plan to serve future generations of clients and communities?

Egypt is on the verge of a generational shift. With more than 60% of its adult population still unbanked and mobile adoption among the highest in the region, the opportunity for financial inclusion powered by digital transformation is immense.

We see this not just as a market gap but as a national imperative.

6 | EGYPT SPECIAL REPORT: Green Finance

GREEN FINANCE IN EGYPT: FROM FOUNDATIONS TO SCALE

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Egypt has put in place a comprehensive set of regulations to support green finance, and bond and loan deals are starting to appear, furthering the country's ambition to be a regional leader in this field. Meanwhile, Egypt is engaging actively with international development partners to finance action on the nexus of water, food and energy challenges.

“Each project requires careful structuring to find the sweet spot — enough concessionality to lift it over the hurdle, but not so much that you crowd out private capital”

—Maya Hennerkes, director for green finance at the European Bank for Reconstruction and Development

Egypt faces a dual challenge: stabilising its economy while preparing for the climate realities of the future. Rising debt and foreign currency pressures leave little fiscal space, yet water scarcity, land degradation and energy demands make sustainability urgent.

Since hosting COP 27 in Sharm el-Sheikh, the country has worked to cement its role as a hub for green finance in Africa and the Middle East and North Africa region.

Local banks are issuing landmark instruments, while development finance institutions (DFIs) are embedding sustainable finance capacity in the sector.

The next step is moving from isolated transactions to systemic transformation — scaling volumes of green and transition finance, in line with Egypt Vision 2030 and the National Climate Change Strategy 2050.

REGULATORY FOUNDATIONS

“Egypt, especially on the regulatory front, has already done a lot of the heavy lifting,” says Maya Hennerkes, director for green finance at the European Bank for Reconstruction and Development. “They basically opened up the markets for green bond investments around

2018-19, when the Financial Regulatory Authority issued a legal framework for green bonds. That was a big step, and we’ve seen issues since.”

Mandatory ESG reporting soon followed. “Disclosure itself doesn’t immediately translate into green finance,” Hennerkes says. “But what we’ve seen in practice is that once companies or banks start reporting ESG data, they figure out how to track green versus non-green use of proceeds. Once they’re confident in the quality of their data, they can think about a green lending product, or even a green bond issuance.”

Other initiatives include Egypt’s voluntary carbon market, launched in 2022, sustainability indices on the Egyptian Exchange and a planned national green taxonomy.

BANKING SECTOR RESPONSE

Egyptian banks are starting to translate these rules into strategies. Commercial International Bank (CIB), the country’s largest private lender, has developed a comprehensive sustainable finance framework, linking lending to environmental and social priorities.

It has rolled out sectoral programmes to help both corporates and small and medium-sized enterprises integrate

sustainability into their operations, while also channelling billions into environmental and social projects.

“CIB’s Sustainable Finance Policy and Strategy recognises system thinking as an institutional mantra that strengthens the link between the financial industry and its surroundings, particularly the environmental, social and governance aspects,” says Islam Zekry, the bank’s group chief finance and operations officer. “As part of this vision, CIB has launched innovative programs such as Sustaining Sectors and Sustaining SMEs.”

Other banks are following suit. Arab African International Bank (AAIB) issued Egypt’s first sustainability bond in 2024, while Banque Misr closed the country’s debut sustainability-linked loan. The Central Bank of Egypt (CBE) has also set clear guidelines for classifying green assets, pushing banks to track and grow their sustainable lending portfolios.

BLENDED FINANCE

DFIs are playing a catalytic role in this shift. One flagship initiative is the Green Economy Financing Facility, launched in Egypt in 2018. Through GEFF, EBRD has channelled \$185m into 130 projects,

Picture: The hydroelectric power plant of the High Dam in Egypt, 2024

largely via local partner banks. A second edition worth \$175m is now under way.

“These programmes allow local banks to learn with us,” says Hennerkes. “They start with identification of green projects, then move to verification and reporting. Often, once banks gain that experience, they come back and say: ‘We’re ready for a green bond framework now.’ That way, capacity grows step by step.”

Blended finance has also mobilised substantial resources. Partnerships with the International Finance Corporation, Proparco and GIZ have delivered hundreds of millions in climate finance, alongside grant support for technical assistance.

In July 2024, EBRD arranged Egypt’s first sustainability-linked loan — a \$100m facility with Banque Misr, tied to social performance targets. “SMEs need green lending lines, large corporates can issue bonds, and banks can structure sustainability-linked loans,” says Hennerkes. “They all have their place.”

INSTRUMENTS GAINING TRACTION

The range of green instruments in Egypt is expanding. CIB’s 2021 corporate green bond remains a landmark, with proceeds allocated to energy efficiency, water treatment and green buildings. The AAIB sustainability bond reached \$500m, attracting strong international demand.

Securitisation is also emerging as a tool, with banks piloting social and green asset-backed deals.

For Hennerkes, capital market solutions are essential to achieve scale, allowing loan portfolios to be bundled, securitised and financed at larger volumes than traditional SME-focused programmes.

RISKS AND GAPS

Despite progress, gaps remain. “The toolkit is tried and tested,” says Hennerkes. “We’ve been blending donor resources with market capital for 20 years. But those resources are scarce. Each project requires careful

structuring to find the sweet spot — enough concessionality to lift it over the hurdle, but not so much that you crowd out private capital.”

Adaptation and biodiversity finance are particular challenges. “We can now do renewable energy projects in a comparatively routine way,” Hennerkes explains. “But climate adaptation is harder to finance commercially, and biodiversity finance lacks tried-and-tested tools.”

The sector is starting to respond. The Federation of Egyptian Banks’ Sustainable Finance Committee — chaired by CIB — has encouraged members to adopt frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD), to integrate biodiversity risks into financial decision-making alongside climate. “CIB has spearheaded the collective effort to equip all 36 banks in Egypt with the knowledge and tools needed to embrace sustainable finance practices,” says Zekry.

“Climate finance is a central pillar in the joint relations between the Arab Republic of Egypt and multilateral and bilateral development partners”

—HE Dr Rania A. Al-Mashat, Egypt’s minister of planning, economic development and international cooperation

Integrating green finance in national planning

HE Dr Rania A. Al-Mashat, Egypt’s Minister of Planning, Economic Development and International Cooperation, and also the country’s governor at the World Bank Group, shares her perspective on Egypt’s efforts to mobilise sustainable finance

How does the Ministry work with international institutions to attract more climate-related financing to support Egypt’s sustainable development goals?

Climate finance is a central pillar in the joint relations between the Arab Republic of Egypt and multilateral and bilateral development partners.

Transition to a green economy is a main pillar in both the National Program for Structural Reforms and national strategies — foremost among them Egypt’s Vision 2030, the Government Work Program and sectoral strategies such as the National Integrated and Sustainable Energy Strategy.

Therefore, development cooperation with international partners includes a significant component for climate finance. This has received increasing attention, especially since Egypt hosted the COP 27 Climate

Conference in Sharm El-Sheikh, and launched many initiatives in the field of climate action and green transition — foremost among them the NWFE Country Platform Program (‘Nexus of Water, Food and Energy’) and the Sharm El-Sheikh Guidebook for Just Financing, a national contribution to international efforts aimed at entrenching the concept of just climate finance, to enable developing and emerging countries to access financing.

The Ministry also plays a leading role as it is responsible for preparing and following up on the implementation of the economic and social development plan, targeting an increase in the share of green projects in total public investments to reach 55% by the end of June 2026.

In addition, the Ministry is implementing the National Initiative for Smart Green Projects, which

encourages local companies in the field of environmental sustainability and climate action. The Ministry also organised the international Climatch Run competition during COP 27 and COP 28, to encourage start-ups in Egypt and worldwide to innovate technological solutions in the field of climate action.

What progress has been achieved on the NWFE Platform (Water-Food-Energy Nexus)?

Since the program’s launch during COP 27, it has served as a model for national platforms aimed at encouraging climate investments through blended finance and other innovative financing tools such as grants and debt swaps.

It has worked to create constructive partnerships among various parties — foremost among them the EBRD, the main development partner for the

energy pillar; the African Development Bank, the main development partner for the water pillar; the International Fund for Agricultural Development, the main development partner for the food pillar; and the European Investment Bank, the main development partner for the sustainable transport pillar.

The main development partner in each pillar coordinates to mobilise financing and development efforts, while there are also many other partners such as multilateral development banks, climate alliances and climate investment funds.

The Ministry of Planning, Economic Development and International Cooperation has ensured transparency in the program by issuing two progress reports in 2023 and 2024.

The Ministry has adopted an innovative approach and governance framework leveraging the comparative advantages of development partners

8 | EGYPT SPECIAL REPORT: Green Finance

“Our model showcases how a single industry actor can mobilise innovation to accelerate client decarbonisation”

—Islam Zekry, group chief finance and operations officer, CIB

CAPACITY BUILDING AND MARKET MATURITY

“In my engagements with Egyptian banks, I find them to be very sophisticated,” says Hennerkes. “They’re interested in sustainable finance and invest a lot of time. And the regulator is active in international forums like NGFS, which drives attention at home.”

NGFS is the Network of Central Banks and Supervisors for Greening the Financial System.

Hennerkes also highlights transition planning as an emerging practice. “It’s a powerful exercise. It allows each bank to think about climate as a strategic and managerial challenge, not just a regulatory one. They can ask: where are we now, and where do we want to be in 2030 or 2050?”

For its part, CIB stresses that systemic transformation is the ultimate goal. “Our model showcases how a single industry actor can mobilise innovation to accelerate client decarbonisation,” Zekry says. “Finance must drive real economic change, where every transaction reflects a commitment to a more equitable and sustainable Africa.”



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THE ROAD AHEAD

Egypt’s green finance agenda extends beyond carbon. Water scarcity, desertification and food security mean that adaptation and resilience are just as critical. Banks are already financing sustainable agriculture, water recycling and desert greening. National strategies such as the NWFE programme — focused on the water-food-energy nexus — aim to align investment across these interlinked priorities.

Egypt has laid the scaffolding for a functioning green finance market:

regulation, flagship issues, capacity building and institutional champions. The next phase is about scale and depth — mobilising billions more, embedding sustainability across all banks, and attracting international capital into adaptation and biodiversity, alongside mitigation.

If successful, Egypt will not only meet its own Vision 2030 and Climate 2050 goals but also establish itself as a regional leader in green finance — showing how emerging markets can turn vulnerability into opportunity. ●

Picture: Abydos Solar PV Plant, Aswan, in November 2024

in the three pillars — water, food, and energy — to maximise the benefits of public investments and mobilise concessional development financing, debt swap mechanisms, grants and private investments to implement the targeted projects.

As a result, the platform has succeeded in mobilising concessional financing worth \$4bn over two and a half years, to implement renewable energy projects with a capacity of 4.2 gigawatts, supporting Egypt’s efforts in renewable energy and the green transition — from a total targeted capacity of 10 gigawatts by 2028 — to help meet the national target of reaching a 42% renewable energy share by 2030.

Work is also under way to finalise the technical and financial details for implementing water, food and sustainable transport projects. The program has received unprecedented international recognition, from the International Monetary Fund, the

World Bank and climate alliances.

The closing statement issued by the 4th International Conference on Financing for Development in Seville cited the NWFE national platform as a model for the new generation of national platforms and innovative tools in reforming the global financial architecture.

Therefore, the Ministry is working to share Egypt’s experience with other developing countries through South-South cooperation mechanisms.

How does the Ministry balance short-term development needs with long-term sustainability goals?

The Ministry launched the National Narrative for Economic Development, which serves as a document and framework for the Egyptian economy, achieving integration between Egypt’s Vision 2030 and the Government Work

Program for the period 2024–2027. The NNED also takes into account national strategies in the industrial development and foreign direct investment sectors.

In the same context, starting from the economic and social development plan for the upcoming fiscal year 2026/2027, the plan will be set within a three year medium-term framework at one time — along with the state’s general budget — in implementation of Public Planning Law No. 18 of 2022 and Unified Public Finance Law No. 6 of 2022.

The government is following an approach that relies increasingly on the private sector as a main partner in achieving development and leading sustainable growth efforts, through the governance of public investments and their allocation to sectors where the private sector cannot participate, as well as to prepare the investment climate and business environment.

How does the Ministry contribute to consolidating Egypt’s position as a regional power in the field of sustainable finance?

Even despite the decline in development financing in light of successive global economic developments, Egypt remains one of the middle income developing countries that has development financing programs of significant and diverse developmental impact.

The most notable feature is clarity and credibility in formulating, following up and implementing projects.

The Ministry supervises 55 joint committees between Egypt and various countries across Asia, Europe, Latin America and others. Through these committees, it works to advance joint cooperation, exchange experiences and strengthen South-South cooperation, to enhance economic and development cooperation between developing countries and emerging economies.



World Bank seeks smart ways to keep climate finance on track

As the largest multilateral funder of climate investments in developing countries, the World Bank Group is urgently needed by people suffering from the effects of global warming. With its largest shareholder unenthusiastic about climate issues, the Bank will need to act wisely if it is to keep helping them



A big part of the international public discussion has got diverted by other things. But objectively, the case for [climate] action is now overwhelming

—Lord Stern, Chair of the Global School of Sustainability, London School of Economics

By Phil Thornton

The elephant in the room is looking particularly cumbersome this week. This year is set to be the second or third hottest ever, after 2024 became the first year ever with temperatures more than 1.5°C above pre-industrial levels.

In the week before the World Bank's Annual Meetings, Tropical Storm Jerry was veering northwards toward the US mid-Atlantic coast, three months after Chantal caused an estimated \$4bn-\$6bn of flooding damage in the Carolinas, according to AccuWeather.

For many developing countries, climate change is no longer a future threat — it is a present torment.

Their finance ministers and development leaders converging in Washington for the Meetings this week will be looking to the Bank to expand its role as the world's leading provider of finance to help countries lessen and cope with the threat of global warming.

In 2023, the World Bank Group committed to increasing its climate financing from 35% of annual financing to 45% by the financial year to June 2025. In financial 2024 it delivered a record \$42.6bn in climate fi-

nance, 44% of its financing, and this past year it exceeded the target, at 48%.

But this commitment conflicts with the rhetoric of its largest shareholder, the United States. Donald Trump has made a series of statements criticising policies to fund the mitigation of climate change and enabling countries to adapt to its impacts. In an angry speech last month at the United Nations, the US president described climate change as “the greatest con job ever perpetrated on the world”, adding: “If you don't get away from this green scam, your country is going to fail.”

The US has argued the Bank and other international financial institutions (IFIs) should reduce their emphasis on climate and be more ready to finance fossil fuels, especially gas.

But so far, the impact of this rhetoric has been less than feared, according to Jon Sward, environment project manager at the Bretton Woods Project, a civil society watchdog.

“There are quite diverse views on energy within the [World Bank's] board, and so while there has been much talk about a new World Bank energy strategy, it's unclear what — if anything — this will actually mean in practice,” he said.

The World Bank is governed by consensus, which means that although the US has a veto on decisions and wields unparalleled influence, it cannot dictate policy on its own.

NO RETREAT

Countries like the UK, Denmark, Finland, New Zealand and Sweden, with significant voting power in the Bank, have significantly reduced or eliminated their bilateral financing for overseas fossil fuel projects, with some now providing no new support.

“This makes it increasingly difficult for fossil fuel projects to be approved at the Bank via consensus decisions,” Sward says.

Asked whether there was any danger the World Bank would retreat from its targets in the light of the Trump administration's criticisms of climate change policies, Anshula Kant, managing director and chief financial officer of the World Bank Group, said the institution was focused on “execution beyond the targets”.

In an interview with *GlobalMarkets*, she said the Bank was determined to help countries with their development programmes in a “smart” way. She gave the example of helping a country finance building a school resilient to flooding in a flood-

Picture: Swannanoa residents walk through flood damage from the Swannanoa River in North Carolina after Hurricane Helene in September 2024

Credit: Sipa US/Alamy Live News



“
We are not rolling
back our targets”

—Anshula Kant,
managing director and
chief financial officer of
the World Bank Group

prone area. “So, given the logic or purpose behind it, I’m pretty sure we’ll be meeting our targets,” she said. “We are not rolling back our targets.”

ADAPTATION EMPHASIS

One of the most significant aspects of the World Bank’s climate strategy is its commitment to devote equal financing to climate adaptation and mitigation — something developing countries have long campaigned for.

Historically, mitigation projects — such as solar and wind power farms — have received the lion’s share of climate funding. They are easier to finance because they produce revenue to repay debt — and they make an immediate impact on the problem. But many countries are already experiencing severe climate impacts and need financing now to deal with the effects and build resilience to future events.

Adaptation projects funded by the World Bank include early warning systems for extreme weather events, climate-resilient infrastructure, drought-resistant agricultural practices and coastal protection measures.

These investments are particularly critical for small island countries and some of the poorest states, which face existential threats from sea level rise and desertification, as well as increasingly common extreme weather.

In its 2025 fiscal year, 42% of climate finance by the Bank’s two main lending arms, the International Bank for Reconstruction and Development and International Development Association, supported climate change adaptation and resilience, up from 33% the year before. This is still short of the 50% target. “We got to about 43%; we couldn’t get to the 50%,” says Kant. “So there’s still more work to be done.”

SYNERGY WITH POVERTY REDUCTION

One of the principles of the World Bank’s approach to climate finance is that it must be integrated with broader development objectives.

Its Climate Change Action Plan 2021-25 advances the climate aspects of the World Bank Group’s Green, Resilient and Inclusive Development (GRID) approach, which pursues poverty eradication and shared prosperity through a sustainability lens.

The Bank recognises that climate change and poverty are inextricably

linked: sustainable development that lifts people out of poverty while protecting the environment can contribute significantly to climate goals.

Conversely, climate impacts disproportionately affect the world’s poorest people, who have the least capacity to avoid or recover from climate shocks.

Lord Nick Stern, a former chief economist of the World Bank, author of the 2006 Stern Review into the economics of climate change and now chair of the Global School of Sustainability at the London School of Economics, described this in a discussion at the LSE in September as one of the “great injustices”: that people who have done the least to create the problem through past greenhouse gas emissions are also the most vulnerable.

The World Bank has tried to address this, by focusing increasingly on supporting cutting edge climate technologies, from advanced renewable energy systems to climate-smart agriculture — raising the knowledge base in countries of operation, as well as tackling their climate risks.

Recent projects include green hydrogen, battery storage to support integrating renewable energy into the grid, and financing for nature-based solutions with climate and biodiversity benefits.

“The technology has got better and better,” said Stern. “So the urgency has become more strong, the opportunity has become much bigger. And that’s precisely the moment when a big part of the international public discussion has got diverted by other things. But objectively, the case for action is now overwhelming.”

MONEY HUNT

As with all aspects of development, meeting climate needs will come down to money. Last year, the Independent High Level Expert Group on Climate Finance (IHLEG), set up by the Cop 26 climate summit in Glasgow in 2021, put the global need for climate investment at between \$6.3tr and \$6.7tr a year by 2030.

Speaking at the LSE in September, Vera Songwe, co-chair of the IHLEG, said \$1.3tr of external financing — money outside domestic resources — would be needed. Multilateral development banks should triple their finance, she argued, which would mean the World Bank reaching some \$120bn. “To do the investment story of the future,” she said, “you need the resources today.”

One way to deliver that would be for shareholders to inject more capital into the World Bank.

Two years ago, it contemplated a one-off capital increase, a move backed by the Center for Global Development thinktank as “the most plausible way to get considerably more finance for effective climate mitigation in developing countries”.

However, Janet Yellen, then US treasury secretary, nixed the idea, arguing that the World Bank should instead use its existing resources more effectively.

It is even less likely that a capital increase would be approved now, especially if it were focused on climate change. “It’s very hard to do that now when you have the US with the position that it has about its stake in multilateralism generally,” said Melinda Bohannon, director general of global issues at the UK’s Foreign, Commonwealth & Development Office, at the LSE event.

The Bank has heeded Yellen and moved to expand its resources by optimising its balance sheet management.

This time last year, Ajay Banga, the Bank’s president, was able to announce he had found ways to stretch its balance sheet to generate \$120bn of additional lending over the next 10 years.

Bohannon said the Bank may need to put thoughts of a capital increase “on ice” for now and focus on using risk guarantees, callable capital, pooled blended finance windows and “hybrid manoeuvres” to free up more capital.

LOOKING FOR A WAY FORWARD

The World Bank stands at a critical juncture in its evolution as a climate finance institution. Its ambitious targets set a high hurdle, challenging the Bank to deliver environmental protection to its borrower countries, while raising standards of living.

This week will be a launchpad for the next phase of the journey, as the Bank begins developing its 2026-30 climate strategy.

Bank officials and shareholders meeting in Washington must grapple with two questions — are the Bank’s current efforts sufficient to address the era-defining challenge of climate change; and what other steps should it take to advance climate and development goals hand in hand?

While grasping that nettle, the Bank must also try to strike a stance that does not irk the US government.

Banga has been less vocal on climate issues in recent months, notes Sward at BWP. “Time will tell if this changes. His reputation as a ‘climate champion’ currently hangs in the balance.” **GM**



“
To do the
investment story
of the future, you
need the resources
today”

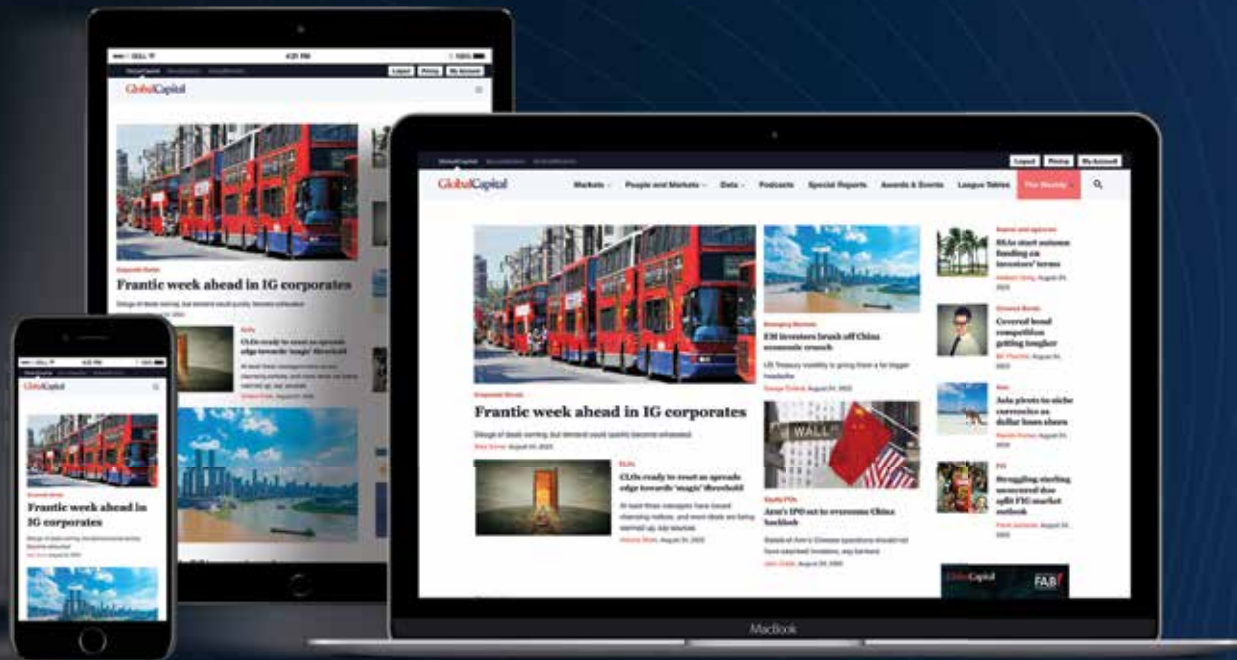
—Vera Songwe,
co-chair of the
Independent High Level
Expert Group on Climate
Finance

Dukhan Bank Named “World’s Best Islamic Private Bank” by Global Finance Awards 2025



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What's happening Thursday, October 16

Governor Talks: **Ghana: From Crisis to Confidence: Ghana's Journey to Macroeconomic Stabilization**
Speaker: **Johnson Pandit Asiamu**, Governor of the Bank of Ghana

Moderator: **Abebe Aemro Selassie**, Director of the African Department
Location: IMF Cedar Hall (HQ1-1-660)

10.30am – 11.45am

Roundtable: **Unlocking Jobs in fragile and conflict contexts: Catalyzing Private Investments**
Location: MC 2-800

12.00pm – 1.00pm

Seminar: **Debate on the Global Economy: Shaping Economic Policies Amid a Shifting Global Landscape**
Speaker: **Kristalina Georgieva**, managing director, IMF; **Tharman Shanmugaratnam**, deputy prime minister, Singapore; **Christine Lagarde**, president, ECB; **Gordon Hanson**, professor Kennedy School of Government, Harvard University; **Adena Friedman**,

Moderator: **Lisa Abramowicz**, 'Bloomberg Surveillance' co-host

Location: IMF HQ1 Atrium (HQ1-1-700)

1.00pm – 1.30pm

Leaders' Speaker Series: **H.E. Dr. Rania Al-Mashat**, Egyptian Minister of Planning, Economic Development and International Cooperation
Location: MC Atrium

1.15pm – 2.30pm

Seminar: **Addressing Financial Crime Fraud and Corruption as Barriers to Growth and Stability**
Opening: **Bo Li**, deputy managing director, IMF
Panel 1: **The Macroeconomic and Financial Stability Implications of Financial Crime and Fraud**
Speakers: **Piti Disyatat**, deputy governor of the Bank of Thailand; **Ketakandriana Rafitossan**, vice chair of Transparency International
Moderator: **Tobias Adrian**, director of the Monetary and Capital Markets Department, IMF
Panel 2: **Policy and Institutional Responses:**

and Safeguarding Financial Integrity

Speakers: **Ayman Mohammed Alsayari**, governor, SAMA; **Elisa de Anda Madrazo**, president FATF; **Mary-Elizabeth McMunn**, deputy governor Financial Regulation, Central Bank of Ireland; **S. Ali Abbas**, deputy director Fiscal Affairs Department, IMF
Location: IMF HQ1 3rd floor Meeting Hall A&B

3.00pm – 3.50pm

New Economy Forum: **Design Matters: The Power of Connected Digital Payments**

Speakers: **Maha El Dimachki**, centre head, BIS Innovation Hub Singapore; **Ritesh Shukla**, managing director & CEO, NPCI NIPL; **Divya Kirti**, senior economist, Research Department, IMF
Moderator: **Karen Tso**, co-anchor CNBC's 'Squawk Box' in EMEA
Location: IMF HQ1 3rd floor Meeting Hall A&B

4.00pm – 5.00pm

Sustainable Tourism: **Jobs, Livelihoods, Growth**
Location: MC 2-800

DownTime

6.30pm – 8.30pm

Reception: **Bahrain Banks Reception**
Location: The Colonade, Fairmont Hotel, 2401 M St NW

7.00pm – 9.00pm

Reception: **Saudi Bank Reception**
Location: Waldorf Astoria Washington DC 1100 Pennsylvania Avenue, NW

7.00pm – 9.00pm

Reception: **UAE Bank Reception**
Location: 200 17th St. NW

New Economy Forum: **Strategies for the Future: Digitalization of the Economy and AI**

Speakers: **Kyriakos Pierrakakis**, minister of economy and finance of the Hellenic Republic; **Kamal Shehadi**, minister of state for Information Technology and Artificial Intelligence and minister of the Displaced, Lebanon
Location: IMF HQ1 3rd floor Meeting Hall A&B

Don't Miss

2025 IIF ANNUAL MEMBERSHIP MEETING Growth in an Uncertain World iif.com/events

Networking & Program Breakfast

8:00am – 8:55am

Host **Nancy Hungerford**, conference moderator, former CNBC Anchor
Breakfast With Odd Lots

Raghuram Rajan, Distinguished Service professor of finance, Booth School, University of Chicago; **Tracy Alloway & Joe Weisenthal**, co-hosts, Odd Lots podcast, Bloomberg

TRACK 1 9.00am – 12.25pm

In Conversation | Macro Economic And Emerging Markets

Host: **Nancy Hungerford**

9.00am – 9.25am

In Conversation: **Stephen Miran**, member, Board of Governors Federal Reserve System; **Clay Lowery** (moderator), executive vice president, IIF

9.30am – 10.10am

Global Governance and the Future of Development Finance

Danny Alexander, CEO, HSBC Infrastructure Finance & Sustainability; **Kalpana Kochhar**, director Development Policy and Finance, Gates Foundation; **Clay Lowery** (moderator), EVP, IIF; **Odile Renaud-Basso**, president, EBRD; **Axel Weber**, president, Center for Financial Studies, Goethe University, Frankfurt

10.15am – 10.55am

The Middle East In A New Era?

Tamara Cofman Wittes, president, NDI; **Hanin Ghaddar**, Rubin Program on Arab Politics, Washington Institute; **Garbis Iradian** (moderator) chief economist MENA, IIF; **Adnan Mazarei**, senior fellow, MENA, PIIE; **Mona Yacoubian**, director; Middle East Program CSIS

11.00am – 11.40am

China: Headwinds from Abroad and Transitions at Home

Gene Ma (moderator), head of China Research, chief representative Asia/Pacific Region, IIF; **Kob-sak Pootrakool**, director, senior executive vice president, Bangkok Bank; **Ke Zhao**, managing director,

CICC; **Patrick Zweifel**, chief economist, Pictet Asset Management

11.45am – 12.25pm

Monetary Crosscurrents: **Rethinking Frameworks Amid Trade and Policy Fragmentation**
Jonathan Fortun (moderator), senior economist, IIF; **Janet Henry**, global chief economist HSBC; **Philip Lane**, chief economist, ECB; **Seiichi Shimizu**, assistant governor International Affairs, Bank of Japan

TRACK 2 9.00am – 12.25pm

Macro Economic and Emerging Markets

Host: **Dion Rabouin**, financial journalist

9.00am – 9.30am

Monetary Policy & Trade Shocks

Ashok Bhundia (moderator), deputy chief economist, IIF; **Catherine Mann**, Monetary Policy Committee, Bank of England; **Dániel Palotai**, deputy governor MNB; **Vladimir Werning**, deputy governor Central Bank of Argentina

9.35am – 10.25am

Regional Deep Dive: Emerging Europe Scene Setting

In Conversation 9.35am – 9.45am: **Andrzej Domanski**, minister of finance & economy Poland; **Ugras Ulku** (moderator), head of EM Europe Research, IIF. Panel Discussion 9.45am – 10.25am: **Blaise Antin**, head of Sovereign Research TCW Group; **Esther Law**, senior portfolio manager, Emerging Markets Sovereign Amundi Asset Management; **Ernest Pytlarczyk**, managing director, chief economist, Pekao S.A.; **Çağrı Sarıkaya**, chief economist, Akbank; **Ugras Ulku** (moderator), head of EM Europe Research, IIF

10.30am – 11.10am

Regional Deep Dive: Asia – Regional Integration Amid U.S. Tariffs

Taimur Baig, chief economist, Group Research, DBS Bank; **Ashok Bhundia** (moderator), deputy chief economist, IIF; **Johanna Chua**, head of Emerging Market Economics and chief Asia economist, Citigroup; **Rohit Goel**, head of Global Macro, Breakout Capital; **Sonal Varma**, chief economist India & Asia

11.15am – 11.55am

Regional Deep Dive: Latin America

Laura Alfaro, chief economist IADB; **Martin Castellano** (moderator), head of LATAM Research, IIF; **Claudio Irigoyen**, head of Global Economics Research Bank of America; **Alejandro Padilla**, chief economist, managing director, Economic Research & Macro Strategy, Grupo Financiero Banorte

12.00pm – 12.25pm

In Conversation: **Carlos Cuerdo Caballero**, minister of Economy, Trade and Business, Spain; **José Viñals**, former group chairman, Standard Chartered; **Sonja Gibbs** (moderator), managing director, head of Sustainable Finance, Global Policy Initiatives, IIF

Networking and Program lunch

12.30pm – 2.00pm Host: **Nancy Hungerford**,

conference moderator, former CNBC Anchor

In Conversation: **Ana Botín**, Executive Chair, Banco Santander, Chair, IIF Board of Directors; **Jamie Dimon**, Chairman, CEO, JPMorgan Chase; **Tim Adams** (moderator), President; CEO, IIF

TRACK 1 2.00pm – 4.40pm

Big Ideas | In conversations

12.00pm – 12.25pm

In Conversation: **Javier Pérez-Tasso**, CEO SWIFT
Tim Adams (moderator), president; CEO, IIF

12.30pm – 3.10pm

U.S. Financial Regulation: **A New Chapter**
Norah Barger, acting deputy director Division of Supervision & Regulation, Board of Governors of the Federal Reserve System; **Douglas Elliott**, partner Oliver Wyman; **Andrés Portilla** (moderator), managing director, regulatory affairs IIF; **Jamie Selway**, director Division of Trading & Markets, US SEC

3.15pm – 3.55pm

Navigating Disruption: Geopolitics And The Future Of The Financial System

Jonathan Cox, managing director Global Corporate Affairs, Swift; **Marcello Estevão** (moderator), chief Economist, IIF; **Gerold Grasshoff**, senior

partner, global head of Risk Management & Regulation/Compliance BCG; **Jérôme Haegeli**, group chief economist, Swiss Re Institute; **Salmaan Jafery**, chief business development officer Dubai International Financial Centre Authority (DIFC)

4.00pm – 4.40pm

From Oil Markets To Critical Minerals: The Future Of Strategic Commodities

Gracelin Baskaran, director CSIS; **Helima Croft**, managing director, head of Global Commodity Strategy & MENA Research, RBC; **Clay Lowery** (moderator), EVP, IIF; **Bob McNally**, founder, president, Rapidan Energy Group

TRACK 2 2.00pm – 4.40pm Digital

Host: **Dion Rabouin**, financial journalist

2.00pm – 2.55pm

AI & Focus On Financial Services

Marcin Detyniecki, head of AI Research & Thought Leadership, AXA; **Conan French** (moderator), director Digital Finance, IIF; **Martin Gilbert**, chairman, Revolut; **Emmanuel Givanakis**, CEO Financial Services Regulatory Authority, ADGM; **Stiene Riemer**, partner Munich, global lead AI Developments in Financial Institutions, BCG

3.00pm – 3.55pm

The Rewiring Of Global Finance: The Intersection Of Geopolitics, Sanctions, And Cyber

Clay Lowery (moderator), EVP, IIF; **Daleep Singh**, vice chair, chief global economist, head Global Macroeconomic Research, PGIM Fixed Income; **Rob Wainwright**, group chief Information Security Officer UBS AG; **Olivia White**, senior partner McKinsey & Company, director, McKinsey Global Institute

4.00pm – 4.40pm

Views From The C-Suite: Technology And Strategy For The Future Of Finance

Tal Cohen, president Nasdaq; **Jessica Renier** (moderator), managing director Digital Finance, IIF; **Su Shan Tan**, CEO DBS Group; **Johan Torgeby**, president, group CEO, SEB • **Robin Vince**, CEO BNY

Countries face high debt repayments as ODA declines

Continued from page 1

come from also tapping into the resources of the private sector. The question of how to do it, and what the role of the official sector is in intermediating or incentivising some of it, is a critical one.”

But this aspiration leaves some experts unconvinced. Hung Tran, a senior fellow at the Atlantic Council, wants the IMF and World Bank to come up with concrete ideas on how to compensate for the 25% fall in ODA over the last two years. “Every year they say the same thing and nothing changes,” he told *GlobalMarkets*.

PRECIPITOUS FALL

The cuts to ODA, mainly by rich nations, have been significant. The OECD projects a drop of between 9% and 17% this year, after an estimated 9% in 2024. The outlook beyond 2025 remains highly uncertain, it says.

“ODA is falling but we have also to keep in mind that the composition of expenditures within ODA is changing rapidly,” said Axel van Trotsenburg, senior managing director at the World Bank, in a discussion organised by the Center for Global Development on Wednesday.

“A lot of the money is staying in the donor countries for covering the cost of refugees. That is an additional challenge, particularly for the poorest countries.”

The cuts are already having severe consequences. Gunn Jorid Roset, director general of the Norwegian Agency for Development Cooperation (Norad), told *GlobalMarkets* the ODA cuts “are dramatic and will impact millions... ODA cuts have significant negative impacts on vulnerable populations, especially in the poorest regions.”

Second order effects, she added, include “rising costs for debt servicing, crowding out essential investment in long term development.”

Alex Farley, policy manager on development finance at Bond, a UK network for NGOs, said: “Children around the world are at risk of missing out on vaccines, whilst girls risk losing access to education, family planning and reproductive health clinics, and healthcare services in refugee camps, including HIV

and AIDS clinics, are being forced to close.”

The World Bank is closely monitoring the impacts. The International Development Association, which finances low income countries, raised almost \$100bn in its replenishment for the three year period from July 2025, though cash contributions were flat on the previous time.

The Bank has also mobilised an extra \$100bn for its International Bank for Reconstruction and Development arm that lends to middle income countries.

WORLD BANK “WELL EQUIPPED”

“We are well equipped in terms of our own capacity,” Anshula Kant, the World Bank Group’s chief financial officer, told *GlobalMarkets*. “But if you look across the world, government budgets are stretched. Large shareholder governments — donor governments —

have competing demands on their budgets. In terms of the pure aid flows, it does impact in many cases.”

Bertrand Dumont, director general of the French Trésor, said “It’s not only budget constraints — there is an element of ODA fatigue,” in the CGD discussion. “Some countries that benefit from ODA are now effective competitors [with donor states] on global markets. [Others] seem to be countries which are trapped in a cycle of programmes with the IMF or with the World Bank, and it’s giving the impression that we have not been successful in helping them.”

Kant said that while there had been “little impact” from the cuts on the World Bank directly, it was “working closely with these aid agencies in certain geographies”.

“In terms of partnerships where we work, especially in more vulnerable, challenging environments, it may have an impact,” she said. “But for us, what we are seeing and what we are trying to do is one: maximise the efficiency of our own resources [and] how we use them.”

The scale of the cuts has fuelled speculation that the World Bank could respond with a request to its shareholders for a capital increase.

Last year the Bridgetown Initiative to reform the international development and climate finance architecture, led by Barbadian prime minister Mia Mottley,

called for new general capital increases.

But Kant told *GlobalMarkets* an increase was not a “pressing need” because of the increases in capacity the Bank had achieved through balance sheet optimisation and contributions from donors. She said that when she joined the Bank in 2019, the IBRD was allocating around \$28bn but the latest year it managed around \$41bn.

PRIVATE SECTOR SOLUTIONS

The effect of ODA cuts can be worse when governments have financing difficulties.

The World Bank and IMF are working to ensure external flows to lower income country governments are maintained, including through greater private sector involvement.

“One of the big concerns we have is that in 2024 low income countries faced a historic high in their external refinancing needs,” said Allison Holland, who leads the debt policy division of the IMF’s strategy, policy and review department.

“In 2025 we’re still going to see refinancings at that level, around \$35bn a year, and for the foreseeable future. About 50% of that is debt falling due to official bilateral creditors,” Holland said. “Refinancing that debt, given all the pressures on ODA, is going to be a challenge and it’s one that we worry about.”

Discussions with G20 countries about keeping their net flows to developing countries positive have brought “challenges”, she said.

But she sees a “promising avenue” in debt swaps and “credit enhancements to help countries tap into commercial financing at lower cost.”

The World Bank’s Korczyk said increasing private sector involvement was “a work in progress.”

“I think we are getting somewhere in those discussions and many partners are reaching out to us on how they could potentially collaborate with us,” including through the World Bank Group’s new unified guarantee platform.

“There’s a new mantra about mobilising the private sector,” said Dumont. “The slogan is there, but ... it’s not that easy and we’re facing some resistance. It can be about revisiting prudential rules, standards for financial institutions and private companies.”

For Bond’s Farley, while private sector financing and guarantees “have a role to play in financing development... its ability to do so at scale and in the most challenging of contexts is often overstated,” because of the return-seeking and risk-averse nature of most private sector activity. “Private finance needs to supplement ODA, not replace it.”



Trotsenburg: ‘A lot of the money is staying in the donor countries for covering the cost of refugees’

Queue for debt swaps *Continued from back page*

this,” over the “short and medium term”.

Like finance ministers and NGOs, the Bank is worried by the mounting debt service payments many countries face. They are eating into revenue they could otherwise spend on development priorities like health and education — especially at a time when rich nations

are cutting their overseas aid budgets.

The countries expected to qualify for World Bank guarantees will be those in stable macroeconomic and fiscal situations but undergoing liquidity challenges — not economies in debt distress.

Some critics have attacked debt swaps, arguing they achieve neither

real progress in making debt more manageable, nor important development gains. Governments often dislike the high costs — both monetary and administrative — and object that outside interests can be given precedence over their own national development priorities, compromising their independence.

In a move that may counter those complaints, at July’s UN Finance for Development summit in Seville the

World Bank and Spain launched a Global Hub for Debt Swaps for Development. It will offer technical support and financial assistance to countries considering debt swaps focused on food security and climate resilience.

The hope is that during a period of shrinking government budgets around the globe, this approach can give developing nations some essential financial leeway.



Simply the Best

In recognition of its outstanding performance in different fields, NBK received 3 awards from MEED at the MENA Banking Excellence Awards 2025 - Corporate & Investment, including MENA Sustainability Leader of the Year awarded to Mr. Isam Al-Sager - Vice-Chairman and Group CEO, Best Bank in Kuwait and Best for Fund Management in the MENA region awarded to NBK Wealth.

IPO boom and AI power reveal India's rising economic clout

By Elliot Wilson

India's capital markets are enjoying another stellar year, with stock market listings surging against the backdrop of a fast-growing economy increasingly led by artificial intelligence.

In the year to October 15, \$16.2bn was raised in IPOs, ranking India fourth worldwide, behind only the US, Hong Kong and mainland China, according to Dealogic data.

The Bombay and National Stock Exchanges are the fourth and fifth busiest IPO markets this year, the data provider says, behind in ascending order the Nasdaq, New York Stock Exchange and Hong Kong's main board.

In the latest big ticket offering, LG Electronics India saw its shares soar 48% on Tuesday, after the South Korean group's local unit raised \$1.3bn. It drew a host of blue chip anchor investors including BlackRock, Fidelity International and sovereign wealth funds from the likes of Norway, Singapore and Abu Dhabi.

LG's first day performance was the

best ever for deal of more than Rp100bn (\$1.13bn). It was beaten to the market by a single day by Tata Capital, which raised \$1.75bn but received a muted welcome from investors on Monday. October is on track to be the country's busiest ever month for IPOs.

Bankers believe India's moment in the sun will continue for years to come, as supply of deals begins to catch up with soaring demand — onshore and offshore — for Indian equities. “The pipeline is the largest on record, across domestic and international names and industries,” says Harish Rahman, co-head of Asia equity capital markets at Citigroup. “India is likely to be the world's most active ECM market, along with Hong Kong, over the next year.”

The future looks bright for south Asia's largest economy. Global investors are attracted to India's strong fundamentals, including a business-friendly prime minister in Narendra Modi and strong retail and macroeconomic data.

In its latest World Economic Outlook, the International Monetary Fund tips output to expand 6% in 2025 and 6.2% in 2026, outpacing every other major economy.

In its Global Trends report for the third quarter, EY points to India's “remarkable [capital markets] momentum”, lauding domestic regulators' focus on prioritising IPOs in IT, digital infrastructure and fintech.

Zennon Kapron, strategic growth adviser at Es Magico, an AI advisory firm in Mumbai and founder of Singapore-based fintech advisory firm Kapronasia, reckons India is “one of three” major economies, along with the US and China, that will set the pace and tone on artificial intelligence for decades to come.

In Stanford's latest Global Vibrancy Tool, which tracks countries that lead the way in AI, India ranks fourth, albeit a significant way behind the US. Technology giants seem to agree: on Tuesday, Google's parent company Alphabet said it would invest \$15bn to build an



Indian capital markets are world beating this year

AI hub in southern India.

Not all countries are enjoying a stellar 2024. Europe, at least in capital markets, continues to lag badly. In Bloomberg's list of the best performing IPO venues in 2025, only one European country, Sweden, cracks the top 10. The UK failed to make the top 20, as did France, placing both behind the likes of Mexico and Oman, and offering a fresh reminder of London's diminishment as a global financial hub.

Nine countries in pipeline for debt-for-development swaps

By Phil Thornton

At least eight debt-laden countries are in the pipeline to use debt-for-development swaps sponsored by the World Bank. These innovative transactions replace expensive debt with cheaper financing, generating fiscal savings that can be used for development projects.

Late last year, Côte d'Ivoire completed a debt-for-development swap that enabled it to buy back around €370m of its most expensive commercial debt maturing over the next five years.

Using a €240m “policy-based guarantee” from the World Bank Group Guarantee Platform, Côte d'Ivoire was able to obtain a new, cheaper €400m 15 year commercial loan with a grace period. It also received a €286m credit from the International

Development Association.

Anshula Kant, chief financial officer of the World Bank Group, told *GlobalMarkets* the lower interest rate and extended maturity had enabled Côte d'Ivoire to redeploy the savings towards development, specifically education.

The government gained access to about €330m over the next five years to support building over 30 new schools.

The investments are channelled through an ongoing World Bank education lending project, so there is a built-in spending and results monitoring mechanism. The Bank believes this gives the country a much better chance of fulfilling the conditions of the swap, because the World Bank is involved in both sides of the transaction.



Financial lesson: Mamie Faitai pre-school, Abidjan

Asked if other low and middle income countries could benefit from similar swaps, Kant said: “Eight or nine... that we consider are likely good candidates for

Continued on page 22

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