

FY 23

Investing for Impact



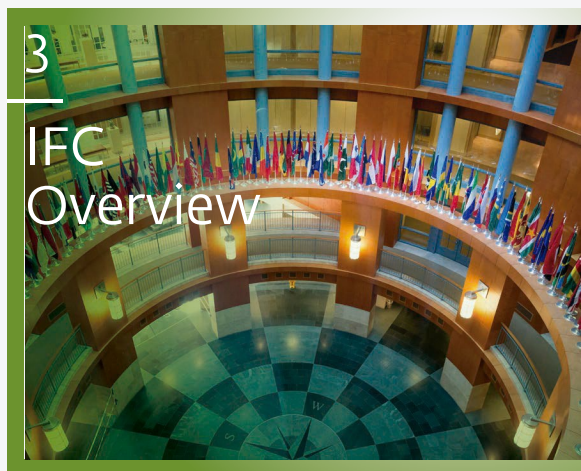
IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets. Creating Opportunities



Contents



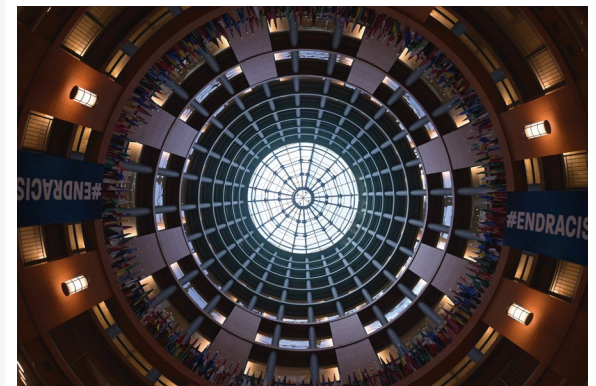
Investing for Impact

IFC Overview



Who We Are

- A member of the World Bank Group with a mission to promote development through investment in the private sector
- Owned by **186** member countries
- Providing **debt (loans, bonds, guarantees and other fixed income instruments) and equity investments** to the private sector in emerging markets for over 60 years
- Strategic priorities include **creating and developing markets and opportunities, mobilizing private capital for development and advising businesses and governments**
- **Global presence** in more than **100 countries**, working with over 1,800 private sector clients



Uniquely Positioned Issuer

- Consistently **rated AAA/Aaa**
- **0% risk weighting** under Basel framework
- **Well capitalized:** net worth exceeds a quarter of the balance sheet
- Annual **funding program of up to \$12 billion** for FY23 – excluding a \$5 billion discount note program
- **Diverse business portfolio** with exposure to 117 countries
- **Robust liquidity position** with a liquidity coverage ratio above the minimum requirement



Five Institutions, One World Bank Group

The World Bank Group is a unique global partnership: five institutions working towards sustainable solutions that reduce poverty and build shared prosperity in developing countries

The World Bank Group has adopted two ambitious goals:

- **Ending extreme poverty:** the percentage of people living with less than \$1.90 a day to fall to no more than 3% globally by 2030
- **Promoting shared prosperity:** foster income growth for the bottom 40% of the population in developing countries



International Development Association

Loans and grants to governments of the world's poorest nations

Issues bonds under: IDA



International Bank for Reconstruction and Development

Loans to governments of middle-income and credit worthy low-income countries

Issues bonds under: World Bank



International Finance Corporation

Debt and equity investments and advisory services to private sector in developing countries

Issues bonds under: IFC



Multilateral Investment Guarantee Agency

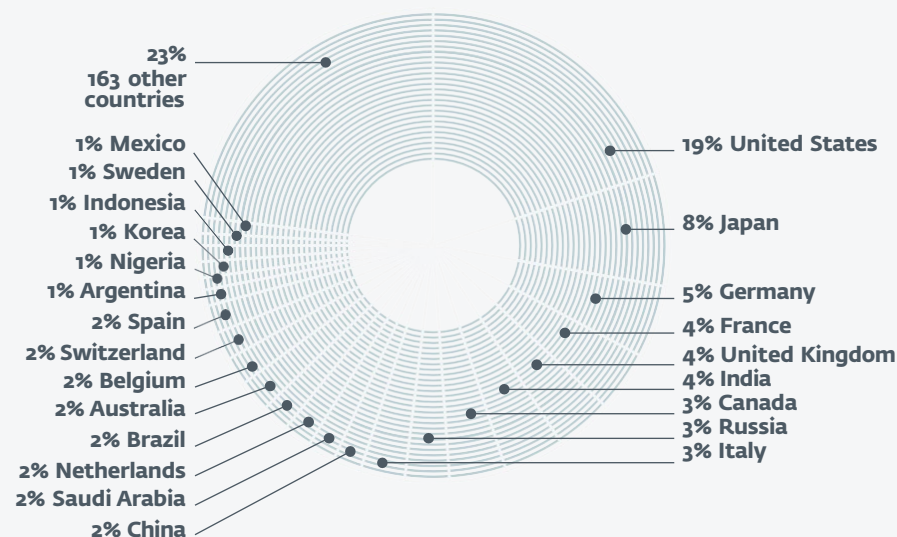
Guarantees of foreign direct investment's non-commercial risks

International Centre for Settlement of Investment Disputes

Conciliation and arbitration of investment disputes

Strong Shareholder Support

- IFC is a **legally distinct entity** of the World Bank Group with its own Articles of Agreement, balance sheet and staff
- **Owned by 186 shareholders:** governments of member countries
- Through a Board of Governors and a Board of Directors, IFC's member countries guide its programs and activities. Voting power on issues brought before the Board of Directors is weighted according to the share capital
- 50% of capital is held by **AAA/AA sovereigns**
- IFC does not pay dividends or taxes; profits are channeled back into investments in developing member countries
- In FY18, the shareholders endorsed a historic increase of \$5.5 billion in paid-in capital for IFC



IFC's shareholder diversity with, on average, countries with high-ranking governance as supportive of its governance assessment based on the World Bank's Governance Indicators – further enhanced by its robust management expertise and risk practices. IFC is well-positioned to manage higher risks associated with its growing exposure to IDA-eligible and FCS countries.

Standard & Poor's
25 February 2023

The stable outlook reflects our expectation that the IFC will maintain its solid capital adequacy and liquidity buffers in the coming years. We also expect the IFC's prudent risk management practices and its shareholders' capacity and willingness to provide financial support to remain strong.

Moody's
28 November 2022

What We Do

Investment

- Debt (loans, bonds and other fixed income instruments)
- Equity
- Trade and commodity finance
- Derivatives and structured finance
- Blended finance

- \$32.8 billion committed in FY22*
- \$62.5 billion committed outstanding portfolio

Advisory

Providing solutions and technical assistance to

- Companies
- Financial institutions and funds
- Industries
- Governments

- \$233 million in advisory services income in FY22

Debt and Equity Mobilization

- Syndications
 - B loans
 - Parallel loans
 - Managed Co-lending Portfolio Platform (MCP)
 - Credit insurance
 - Local currency syndications
 - Green loan syndications
- IFC Asset Management Company (AMC)**

- \$25.7 billion syndicated over the last 5 years
- 11 funds with \$10.1 billion under AMC's management

* \$23.2 billion of long-term finance commitments (including mobilization) and \$9.7 billion of short-term finance commitments.

** Effective January 31, 2020, IFC Asset Management Company (AMC) was merged into IFC.

Investment Project Cycle

IFC invests in productive private enterprises targeting **satisfactory economic returns** and **development impact**



IFC's Corporate Strategy for FY23-25

Ongoing Relief and Recovery Efforts

Supporting ongoing crisis response (trade, jobs, food security) and recovery efforts

Sharpening Focus on Fragility

Responding to increased fragility, conflict, and forced displacement in International Development Association (IDA)-fragile and conflict situations (FCS) and middle-income countries

Climate Response and Energy Transition

Private sector solutions for an accelerating climate crisis

Digital Transformation

Promoting digitalization across all industries and regions

Healthcare Resilience

Supporting healthcare resilience and vaccine rollouts by localizing supply chains

IFC's business model with the adoption of the IFC 3.0 long-term strategy represents a more deliberate and systematic operating model to support market creation. The successful implementation of this strategy – evidenced by an increase in exposure to FCS and IDA-eligible countries, growing use of IFC's advisory services, and co-lending platforms, combined with increased risk mitigating and credit enhancement products – would lead to a stronger enterprise risk profile over the medium term.

Standard & Poor's
25 February 2023

Sustainability: Alignment with United Nations' SDGs



Sustainability: Paris Alignment

- Starting on July 1, 2023, 85% of all IFC operations in all sectors are expected to be aligned with the Paris Agreement's goals
- Starting on July 1, 2025, all new projects will be aligned

To achieve this goal, IFC has:

- Developed frameworks for real sector and intermediated finance, focusing on defined use of proceeds
- Created guidance, tools and methodologies on mitigation and adaptation for 15 sectors, with several more on the way
- Trained 1,500 staff and integrated Paris Alignment into our IT systems



PARIS AGREEMENT
on Climate Change

Sustainability: Key to IFC's Mission, Critical to Client Success

All projects financed by IFC must adhere to IFC's stringent **environmental and social requirements** focusing on transparency and accountability. **The Equator Principles**, that are adopted by funding institutions to identify, assess and manage environmental and social risks as accurately as possible, **correlate with IFC's Performance Standards**.

Specific performance standards cover



Assessment and management of environmental and social risks and impacts



Community, health, safety and security



Labor and working conditions



Land acquisition and involuntary resettlement



Biodiversity conservation and sustainable management of living natural resources



Cultural heritage



Resource efficiency and pollution prevention

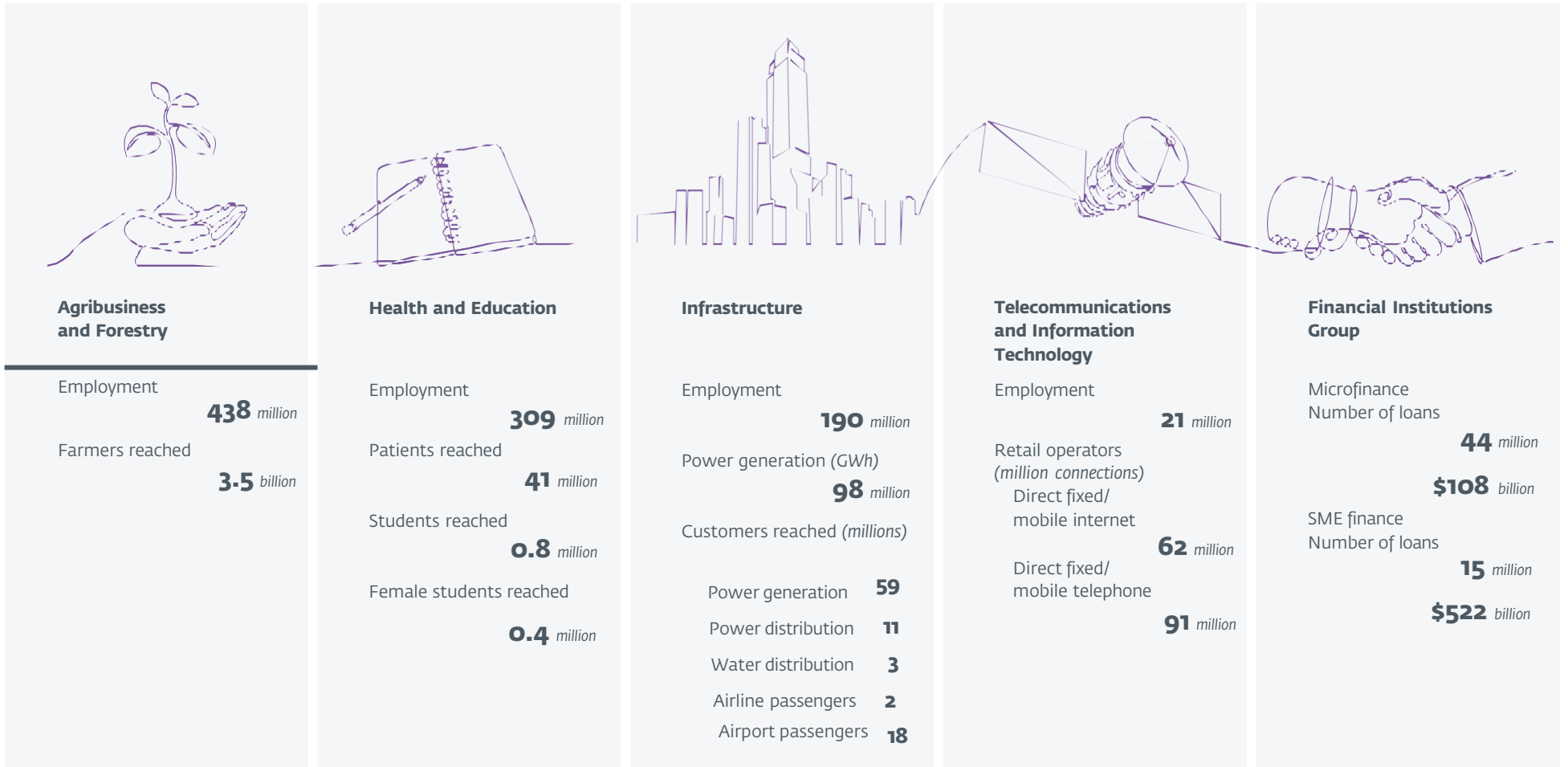


Indigenous peoples

IFC's Development Impact

Development impact indicators are measured on an annual basis.

In 2022, IFC's 1,800 private sector clients provided overall:



Investing for Impact

Financial Strength



Conservative Balance Sheet

Assets (in USD billions)		Liabilities and Capital (in USD billions)	
Liquid Assets Portfolio (net)	41.7	Borrowings	48.3
Debt and Equity Investments (net of \$1.2 in reserves)	44.1	Other Liabilities	17.9
Net Loans	26.22	Net Worth	32.8
Equity Investments	11.13	Paid-in Capital*	21.7
Debt Securities	6.73	Retained Earnings and Other	11.1
Other Assets	13.2		
Total Assets	99.01	Total Liabilities and Capital	99.01

* As part of the capital increase process, \$17 billion of retained earnings were converted into paid-in-capital in April 2020

IFC AAA-Rated Peer Group Comparison

	IFC International Finance Corporation	IBRD International Bank for Reconstruction and Development	IADB Inter-American Development Bank	ADB Asian Development Bank	AfDB African Development Bank	AIIB Asian Infrastructure Investment Bank	EBRD European Bank for Reconstruction and Development	EIB European Investment Bank
Business	Lends to and invests in private enterprises in developing countries	Provides loans to public sector in developing countries	Provides financing to Latin American and Caribbean economies	Provides financing to countries in the Asia Pacific region	Lends to and invests in development projects in Africa	Invests in infrastructure and other productive sectors in Asia	Lends to and invests in private enterprises in Eastern and Central European North and sub-Saharan African and Asian economies	Provides financing to EU Member States and countries around the world
Ownership	186 member countries	189 member countries	48 member countries, consisting of Latin American and OECD countries	68 member countries, of which 23 are OECD countries	54 African member countries and 27 non-African member countries	103 members, of which 50 are regional and 53 non-regional members	71 members – 69 countries, the EU and the EIB	27 member states of the EU
Total Assets (USD billions)	\$99	\$317	\$152	\$282	\$51	\$40	\$85	\$642
Liquidity Liquid Assets / Total Assets	42%	26%	26%	16%	37%	34%	45%	19%
Leverage Total Liabilities / Total Liabilities + Shareholders' Equity (excluding callable capital)	67%	83%	76%	72%	74%	49%	71%	86%
Net Income (Loss) (USD millions)	\$(464)	\$2,039	\$610	\$1,372	\$198	\$175	\$341	\$2,012
Total Shareholders' Equity	\$33	\$55	\$35	\$53	\$12	\$20	\$23	\$86

Source: Crédit Agricole CIB. Audited financial statements of each institution as of 31 December 2021, except for IFC and IBRD, where audited financial statements as of 30 June 2022 were used.

Figures for AfDB (in UA) were translated into US dollars using 2021 year-end exchange rate of 1UA= \$1.40;

Figures for EBRD and EIB (reported in EUR) were translated into US dollars using year-end exchange rate of €1 = \$1.137

IFC and IBRD financials are reported under US GAAP. Financial results may not be comparable due to different accounting standards.

Strong Fundamentals

IFC exercises prudent financial discipline

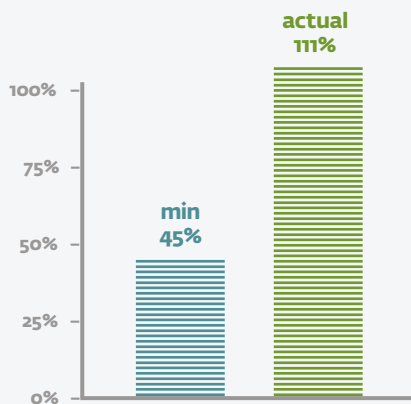
- IFC has one of the **highest liquidity ratios** of any supranational
- Equity investments are **funded by IFC's net worth**, not its borrowings

The stable outlook reflects S&P Global Ratings' expectation that International Finance Corp. (IFC) will maintain an extremely strong financial risk profile, underpinned by high capital, strong liquidity, and expected continuity of its robust risk management policies.

Standard & Poor's
25 February 2023

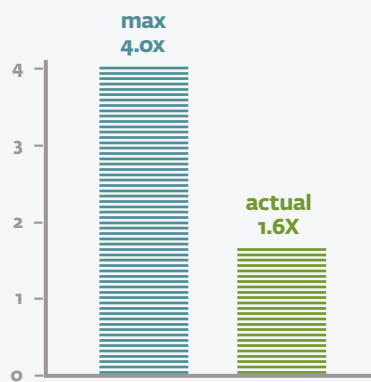
Liquidity coverage ratio

Percentage of estimated net cash requirements for the next 3 years



Leverage

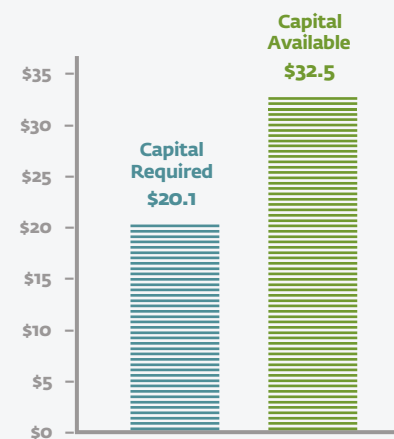
Debt to equity (times)



Capital Utilization Ratio : 62%

Capital Measures

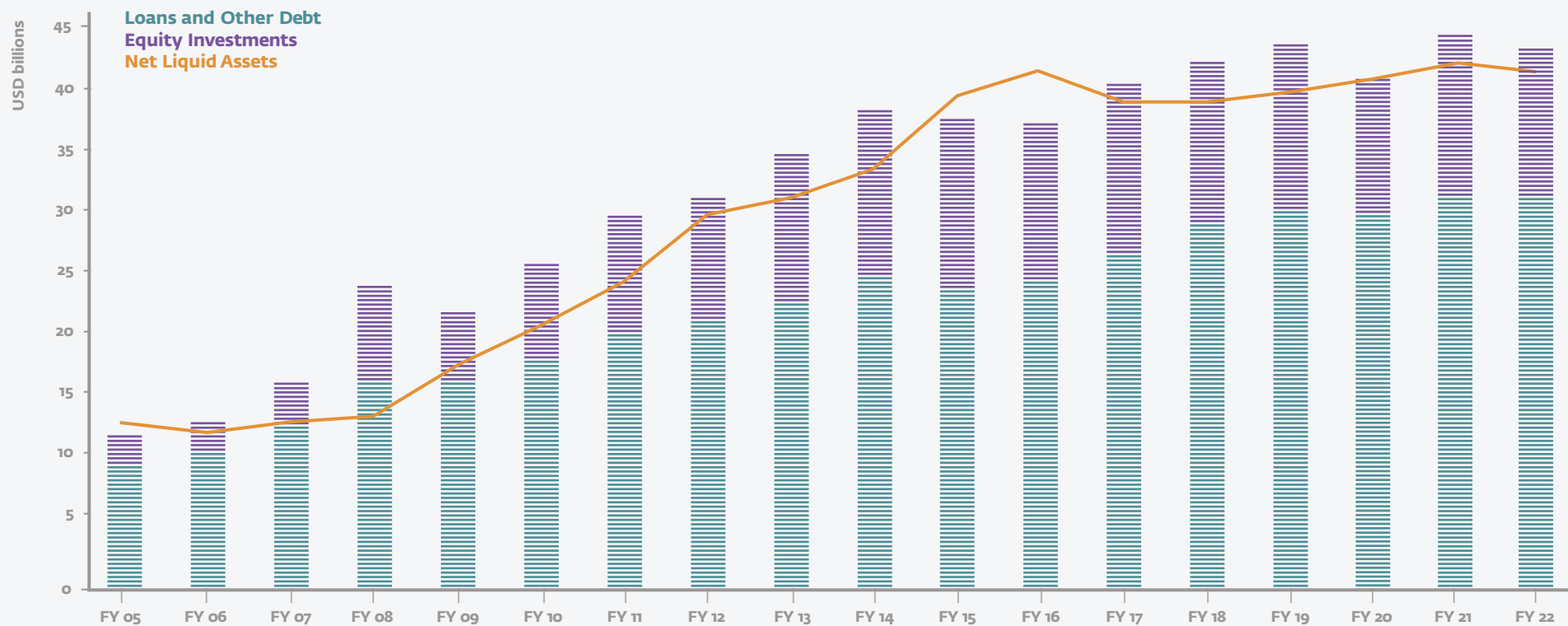
USD billions



Consistent Asset Growth

IFC's growth has been financed predominantly by retained earnings

IFC's total disbursed debt, equity and net liquid assets at fiscal year-end



High Liquidity

\$41.7 billion of net liquid assets

equivalent to 42% of total assets

Proactive investment approach

focused on capital preservation

High quality liquid assets

issued by, or unconditionally guaranteed by, governments, government instrumentalities, supranationals, and high quality corporate issuers. Includes instruments like ABS/ MBS and deposits

Market risk is hedged

mainly through the use of derivatives, principally currency swaps and financial futures

Diversification

across multiple markets ensures a favorable risk return profile

IFC liquidity ratios – which support IFC’s extremely strong financial risk profile – indicate that it would be able to fulfill its mandate as planned for at least one year, even under stressed market conditions, without access to the capital markets.

Standard & Poor’s
25 February 2023

Financial Performance

- The financial performance of IFC has been significantly influenced by the volatile emerging equity markets.
- IFC reported a net loss of \$464 million in FY22, as compared to a net income of \$4.2 billion in FY21.
- IFC's net income in FY21 had a substantial component of unrealized gains on investments of \$3.3 billion, when markets rebounded post the immediate effect of COVID-19.

Fiscal Year *	2022	2021	2020	2019	2018	2017
Income from loans and guarantees, net of provisions for losses	1,030	1,317	872	1,687	1,287	1,212
Income (Loss) from equity investments	208	3,201	(1,067)	(253)	853	707
Income from debt securities	414	340	231	126	363	282
Income from liquid asset trading activities	(413)	327	1,039	1,291	771	917
Charges on borrowings	(302)	(326)	(1,181)	(1,575)	(1,041)	(712)
Other income	419	595	559	622	578	528
Other expenses	(1,653)	(1,687)	(1,628)	(1,746)	(1,662)	(1,621)
Unrealized gains (losses) on non-trading activities and foreign currency transaction gains (losses)	(153)	658	(497)	(59)	211	206
Grants to IDA	-	(213)	-	-	(80)	(101)
Operating income	(235)	3,616	(1,031)	311	1,272	1,129
Net income (Loss)	(464)	4,209	(1,672)	93	1,280	1,418

Investing for Impact

Core Business Portfolio



Portfolio Risk Management

- Risk-based loan pricing
- Matched funding policy to manage currency, interest rate and maturity risks
- Strict debt and equity portfolio diversification guidelines to reduce concentration risks

By company

Risk-based limits for clients and groups of connected clients are set based on individual credit rating

By sector

Limits on aggregated finance and insurance sectors exposure, which restrict economic capital to these sectors to 50% of a country limit

By country

Economic capital-based limits on country exposure as a percentage of total resources available

IFC's very strong risk management limits the risk associated with its business profile and the corporation's large capital buffer allow it time to work out stressed exposure. IFC exhibits best-in-class risk management practices, which we believe limit the risks associated with its development-related assets.

Moody's

28 November 2022

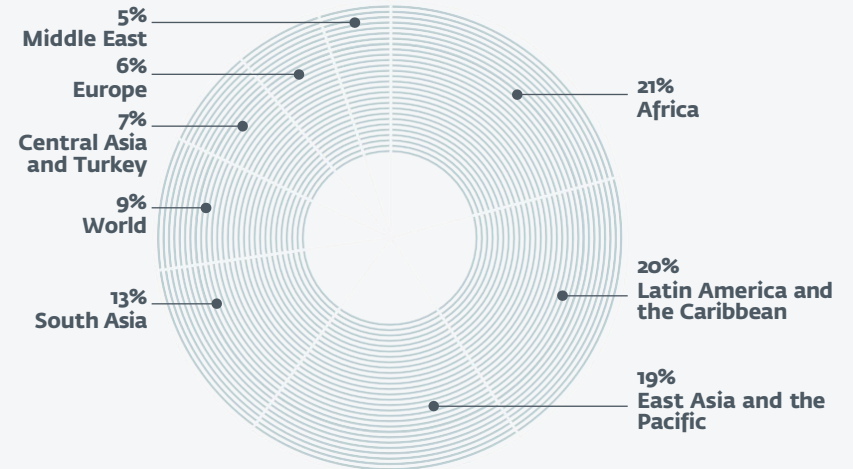
Highly Diversified Global Portfolio

- IFC has debt and equity exposure in **117 countries** and **over 1,800 companies**
- Five largest country exposures account for **32.3%** of total committed portfolio
- Top ten country exposures comprise **47.5%** of total committed portfolio
- IFC's portfolio is highly diversified across a **wide range of industries and sectors**

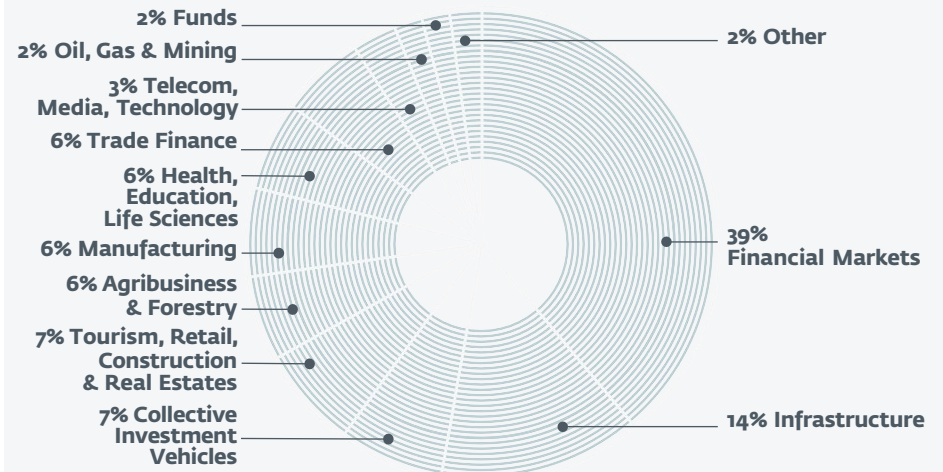
IFC's portfolio is highly diversified, which reflects its large size and global reach. IFC's portfolio concentration metrics are better than those of most peers. The overall credit risk in the portfolio is mitigated to some extent by a very granular and widely diversified development asset portfolio, reflecting the IFC's global reach.

Moody's
28 November 2022

Committed portfolio diversification - Region



Committed portfolio diversification - Industry



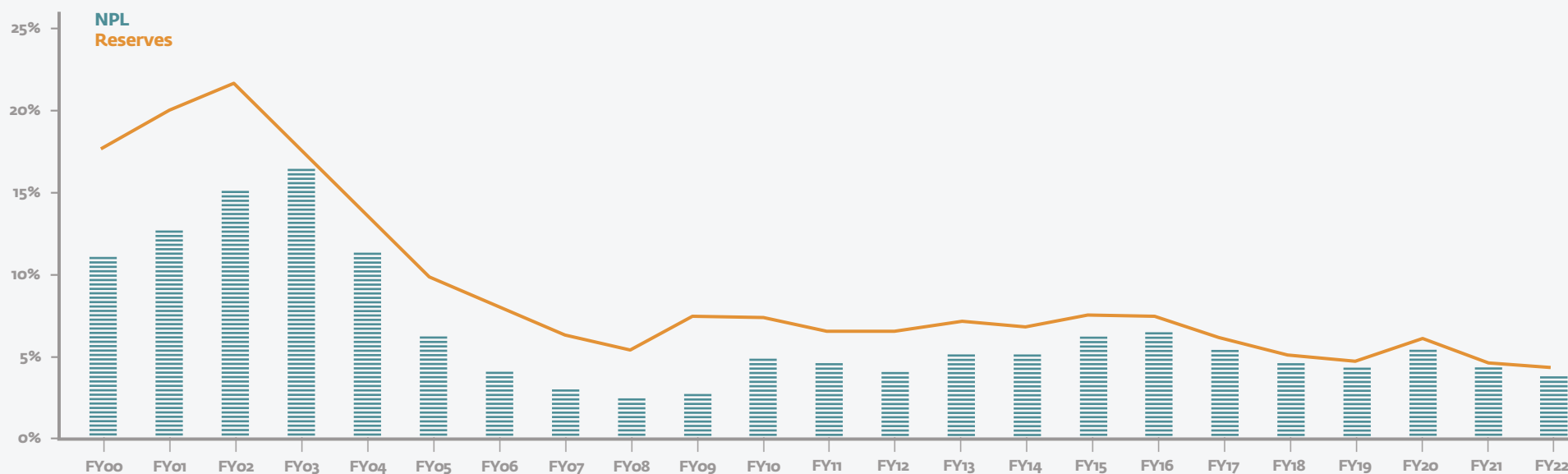
Quality Loan Portfolio

- Low non-performing loans (NPLs) 60 days past due classified as non-accruing
- Entire portfolio reviewed at least on a quarterly basis
- Total reserves against losses equaled 4.4% (\$1.2 billion) of the total disbursed loan portfolio as of 30 June 2022

IFC has been exempt from exchange controls, whereas some commercial debtors have not.

Standard & Poor's
25 February 2023

As % of disbursed loan portfolio



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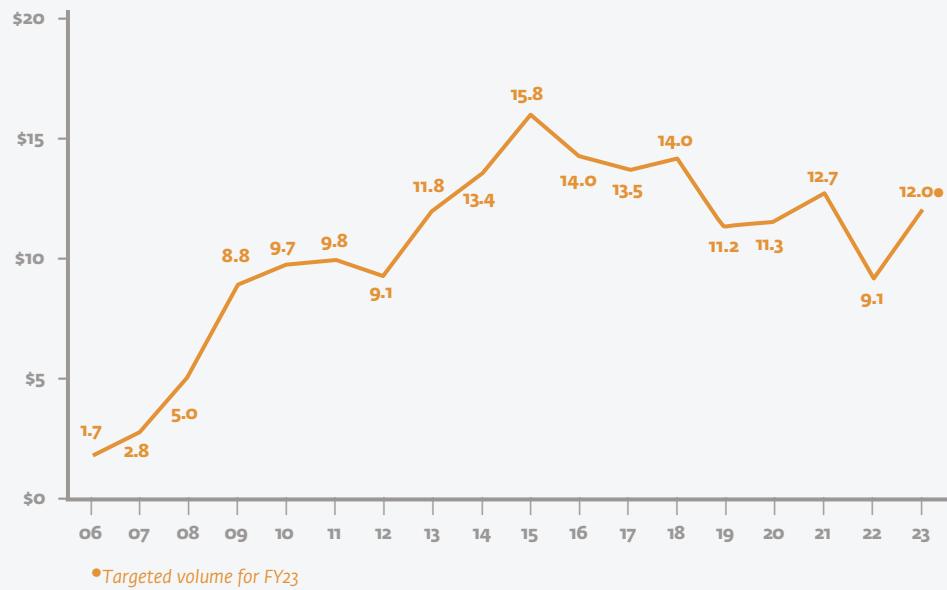
Funding Program



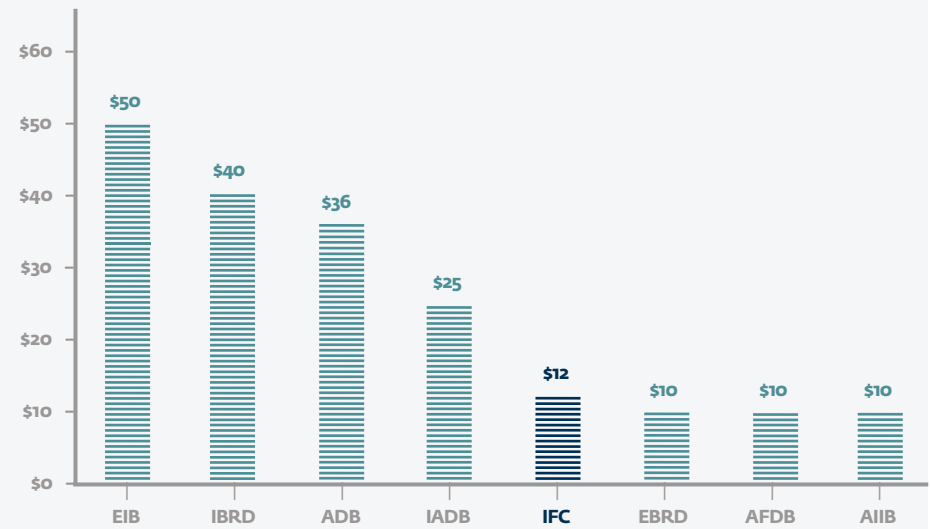
IFC's Funding Program

IFC's funding program is subject to lending needs and its liquidity position.

IFC's annual funding volume*
(in USD billions)



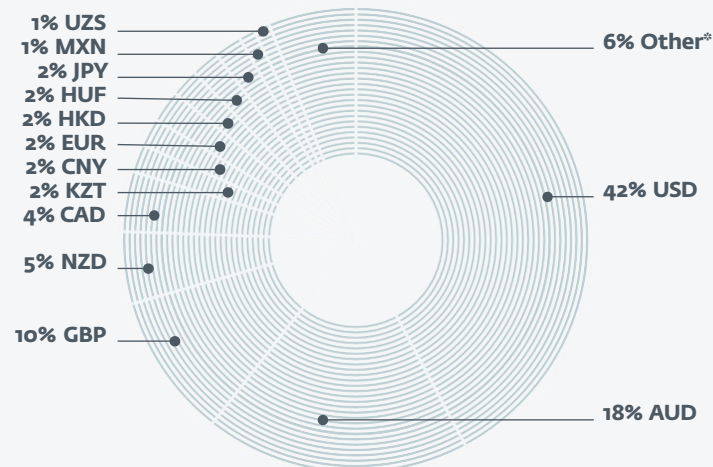
Current funding programs of IFC and peers
(in USD billions)



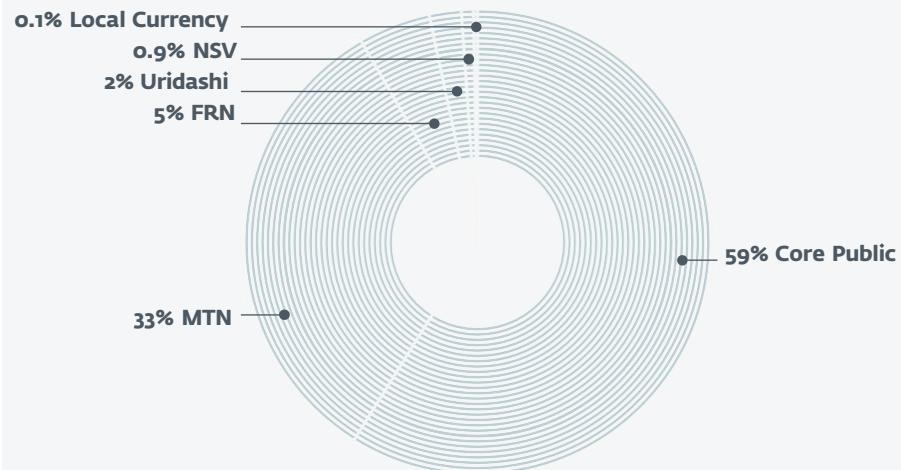
Funding in Various Markets and Currencies

- IFC has issued **global US dollar benchmark bonds** each year since 2000
- IFC complements its public issuance by accessing a variety of different markets such as **Uridashi, private placements** and **discount notes**
- **First non-domestic issuer** in China, Dominican Republic, India, Namibia, Nigeria, Peru, Rwanda, Zambia and many others
- As a **US dollar-based institution**, most borrowings are swapped into compounded Secured Overnight Financing Rate (SOFR)

Borrowings by currency in FY22



Borrowings by market in FY22



USD Global Benchmark Market

Top tier global credit

- IFC has issued **US dollar benchmarks** in global format since 2000
- Currently ten USD global benchmark transactions outstanding, totaling over \$14.2 billion, of which three are green bonds and one is a social bond
- IFC issued the first fixed-rate bond that was marketed and priced using SOFR among its peer group

Recent USD global issuances:

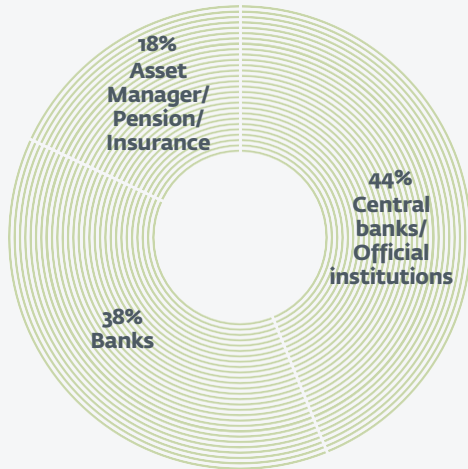
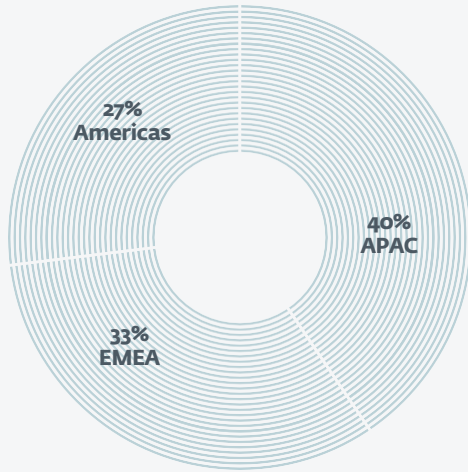
- 5Y – IFC 0.75% Oct 2026, USD 2 billion, launched at SOFR m/s+ 19, T+8.65
- 10Y – IFC 0.75% Aug 2030, USD 1 billion, launched at m/s+ 18, T+17
- 5Y – IFC 0.375% Jul 2025, USD 2 billion, launched at m/s + 10, T+13
- 5Y – IFC 1.375% Oct 2024, USD 2 billion, launched at m/s + 11, T+8.9
- 3Y – IFC 3.625% Sept 2025, USD 2 billion, launched at SOFR m/s+25bps, T+12.5

Recent USD sustainable bonds:

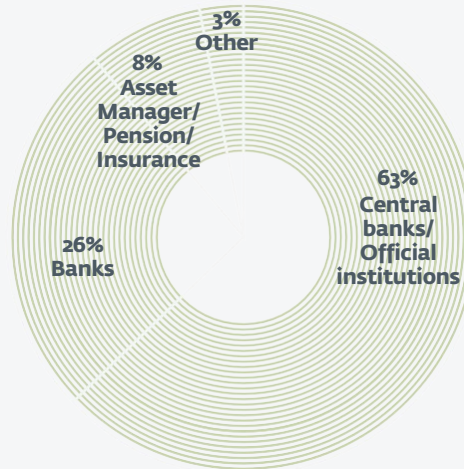
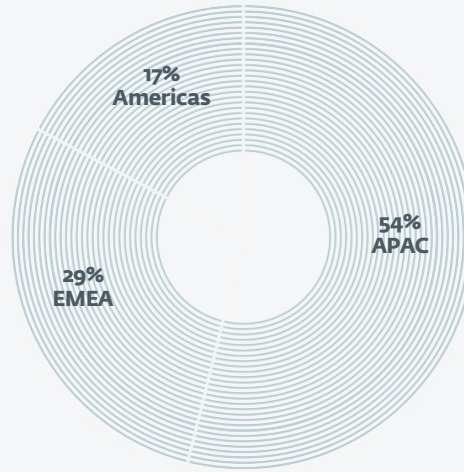
- Green – IFC 2% Oct 2022, USD 1 billion, launched at m/s + 3, T+11.8
- Social – IFC 0.50% March 2023, USD 1 billion, launched at m/s + 13, T+4.4
- Green – IFC 2.125% Apr 2026, USD 700 million, launched in March 2016 at m/s + 44, T+29.5; increased in July 2016 for USD 500 million, at m/s + 31, T+22.25

USD Global Benchmark Distribution

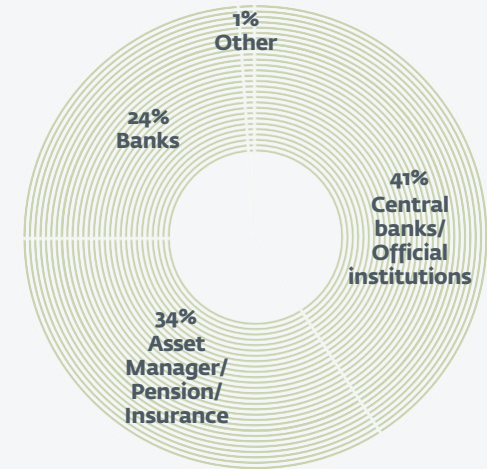
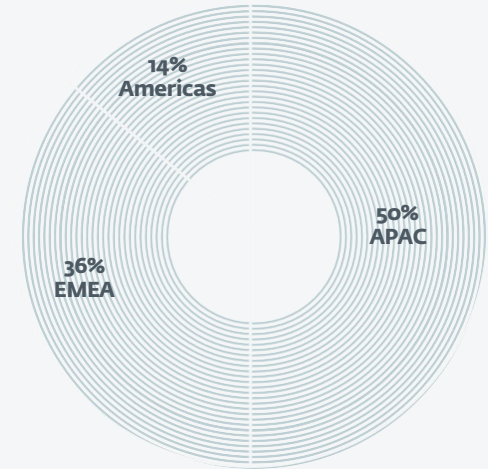
USD2.0 billion October 2026
(issued August 2021)



USD2.0 billion July 2025
(issued July 2020)

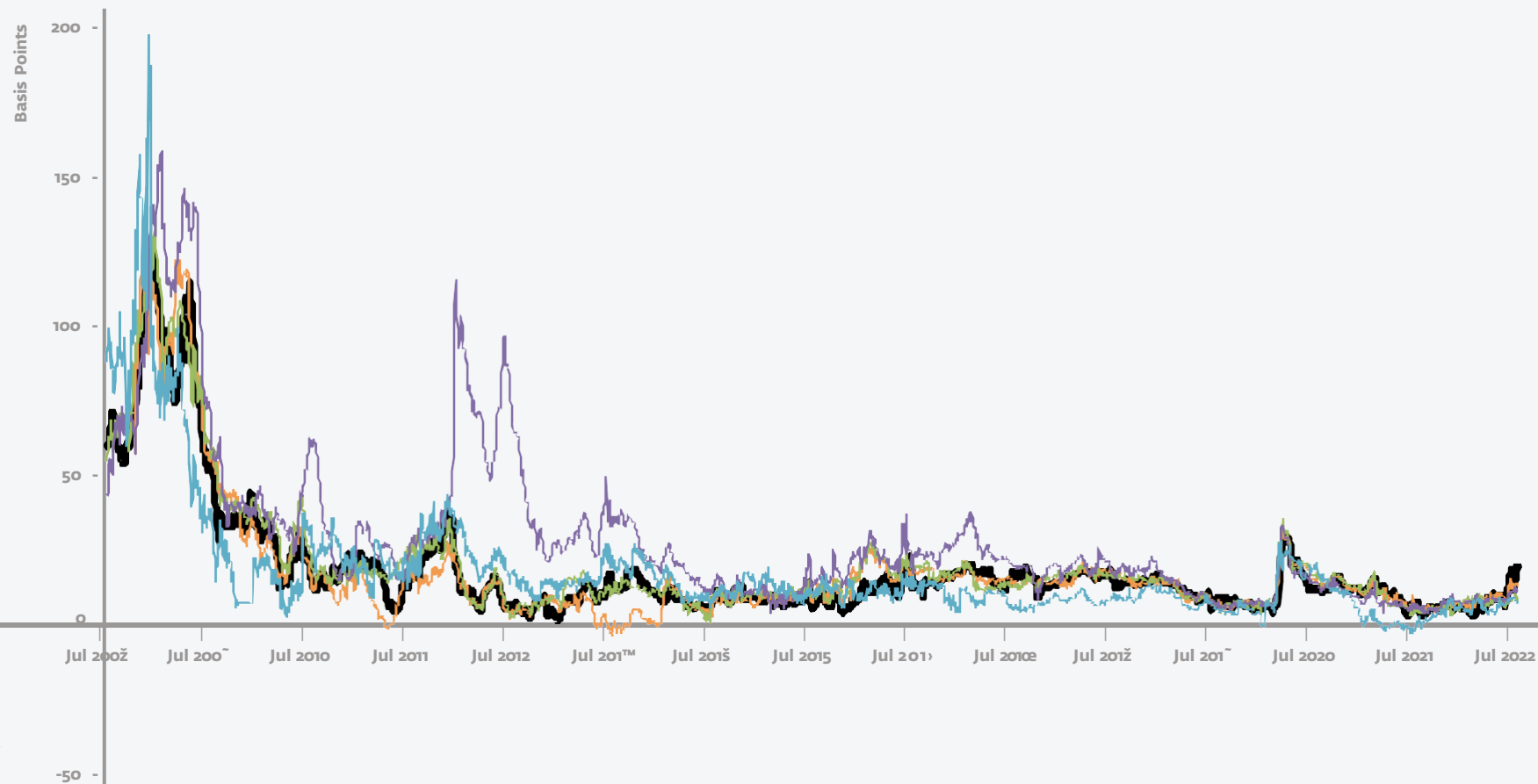


USD1.0 billion August 2030
(issued August 2020)



USD Global Benchmark: Performance vs. Treasuries

Spreads of IFC's and peers' 5-year benchmark issues vs. US Treasuries



Issuance in the Sterling Market

- IFC bonds offer an **attractive yield pickup** vs. UK government bonds
- In July 2018, IFC issued its **first Sterling green bond** raising GBP 350 million, which was increased through taps to GBP 600 million
- There are currently seven public GBP transactions outstanding, one of which is a green bond, totaling GBP 4.35 billion

November 2022:

GBP 600 million global benchmark bond

3Y – IFC 4.125% November 2025, GBP 600 million, launched at G+90bps

August 2022:

GBP 250 million global benchmark bond

2Y – IFC 2.875% December 2024, GBP 250 million, launched at G+64bps

October 2021:

GBP 250 million global benchmark bond

5Y – IFC 0.875% September 2026, GBP 250 million, launched at G+26bps

Issuance in domestic AUD market (Kangaroo)

AUD is a **key market** for IFC

- Attractive term funding through a growing domestic and international investor base

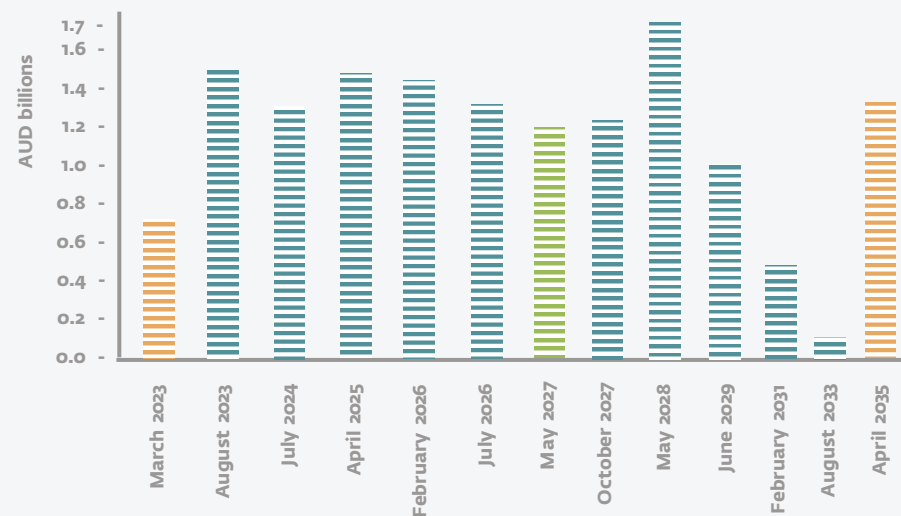
IFC's commitment to AUD market reflected in:

- Establishment of a stand-alone AUD Domestic Debt Issuance Program in 2007
- Kangaroo bonds outstanding: about AUD 15 billion as of February 2023
- Well-developed IFC Kangaroo yield curve

IFC bonds offer an **attractive yield pickup** vs. Australian and semi-government bonds

IFC's AUD domestic issues are repo-eligible with Reserve Bank of Australia

Outstanding IFC Kangaroo issuance



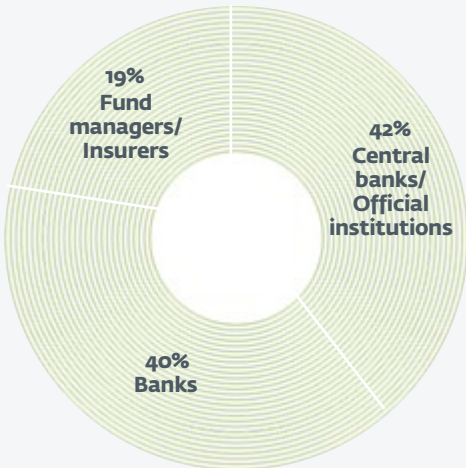
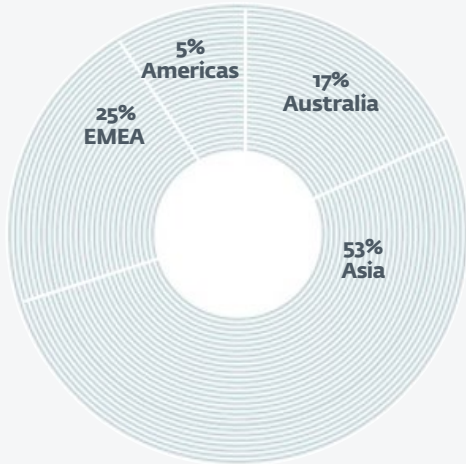
Maturities

*Orange bars depict social bond lines

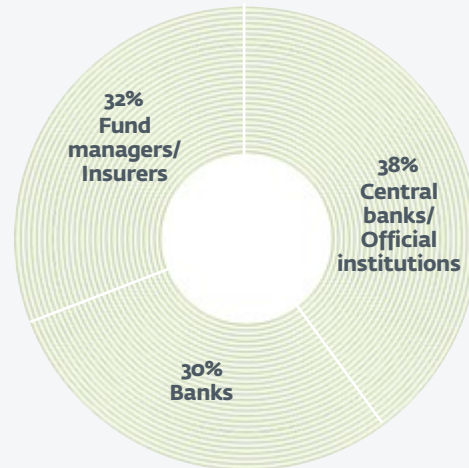
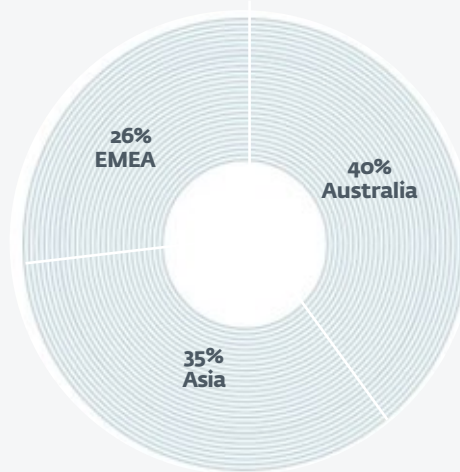
*Green bars depict green bond lines

Kangaroo Distribution

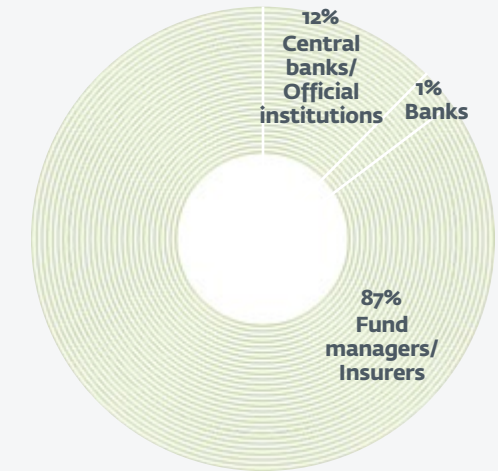
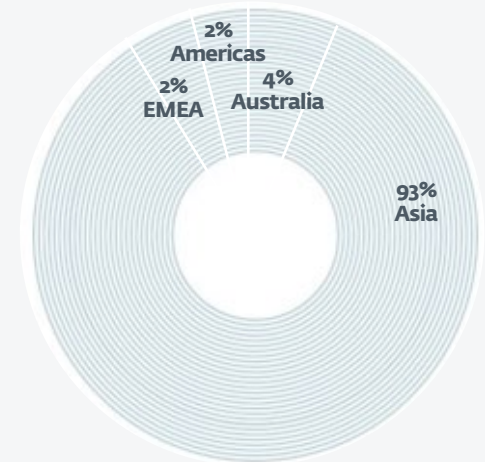
AUD1.45 billion February 2026
(issued August 2022)



AUD1.20 billion May 2027 Green
(issued November 2022)



AUD1.3 billion April 2035 Social
(issued April 2020)



Sustainable Bond Programs

IFC is a sustainable bond issuer with two focused thematic bond programs fully aligned with the Green and Social Bond Principles

Green Bonds

Program established: 2010

Use of Proceeds: Climate friendly projects including renewable energy, energy efficiency, green banking, etc.

To learn more about our Green Bonds and to access our impact report, visit www.ifc.org/greenbonds



Social Bonds

Program Established: 2017

Use of Proceeds: Projects that aim to address access to essential services and income generation to underserved target populations in developing countries

To learn more about our Social Bonds and to access our impact report, visit www.ifc.org/socialbonds



New Green Bond Framework

In December 2022, IFC updated its Green Bond Framework with three major updates:

- Adding **biodiversity** and **blue finance** (ocean and water) as green categories
- Explicitly excluding activities that support the fossil fuel industry, livestock, hydropower and deforestation
- **Harmonizing the eligible categories for mitigation and adaptation projects** with the Common Principles developed by the Joint Climate Finance Tracking Group of MDBs and the International Development Finance Club



Green Bond Framework

SHADES OF GREEN



GOVERNANCE ASSESSMENT



GREEN BOND PRINCIPLES

Based on this review, this framework is found aligned with the principles.

A Second Party Opinion issued by CICERO Shades of Green rated the new framework as Medium Green with a governance score of Excellent.

"We rate the framework CICERO Medium Green and give it a governance score of Excellent, supported by sufficient project categories receiving Dark Green or Medium Green shadings, IFC's Excellent governance score, its conservative approach in applying criteria and exclusions in project selection processes, and its efforts to support both standard and innovative or undervalued green finance project categories."

MTNs and Structured Notes

IFC aims to maintain its position as an **active and flexible issuer of plain vanilla and structured notes**

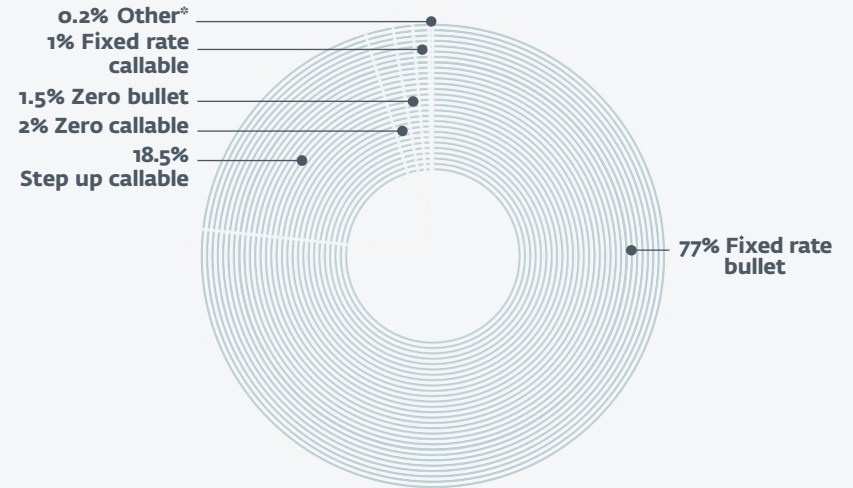
IFC currently offers:

- Interest rate linked, FX linked, equity index linked, Bermudan and European callables and hybrids
- Minimum size \$5 million equivalent with maturities ranging from 1 to 30 years

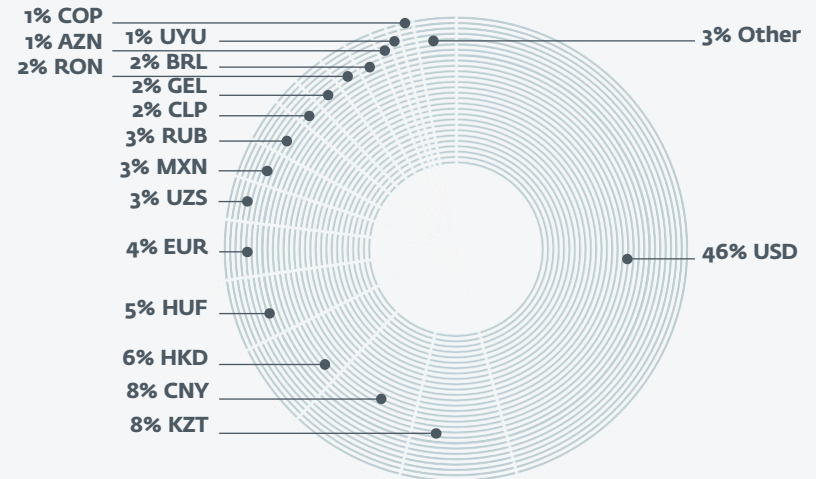
Total MTN volume in FY22 was \$2.98 billion across 22 currencies

IFC has an **active buyback program**, serving as a liquidity back-stop for its issuances

FY22 structures



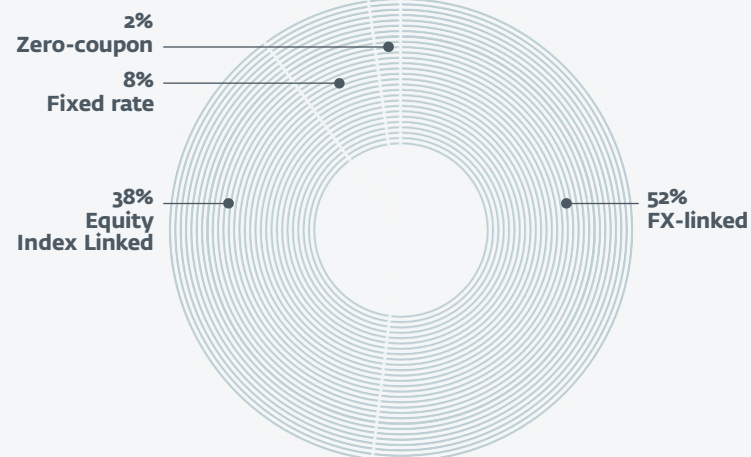
FY22 currencies



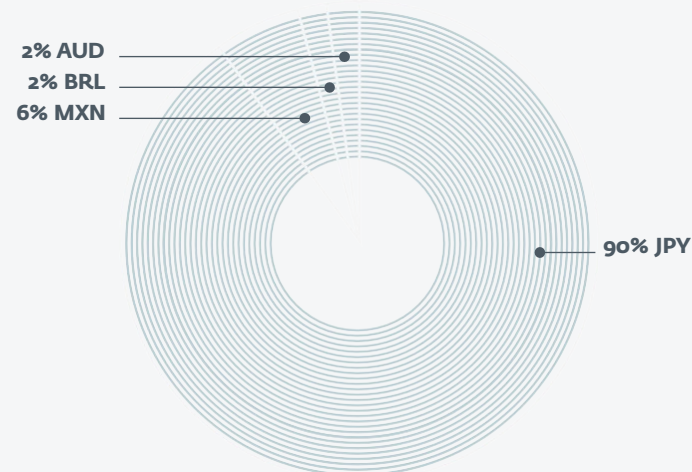
Uridashi

- Asia presence allows IFC's Funding team to focus on retail investors in Japan
- IFC has sold thematic bonds (green and social) into Japan
- IFC issued 24 individual Uridashi transactions in FY22 totaling \$145.7 million equivalent
- IFC has an **active Uridashi buyback program** with a minimum buyback size of JPY100 million equivalent

FY22 structures



FY22 currencies



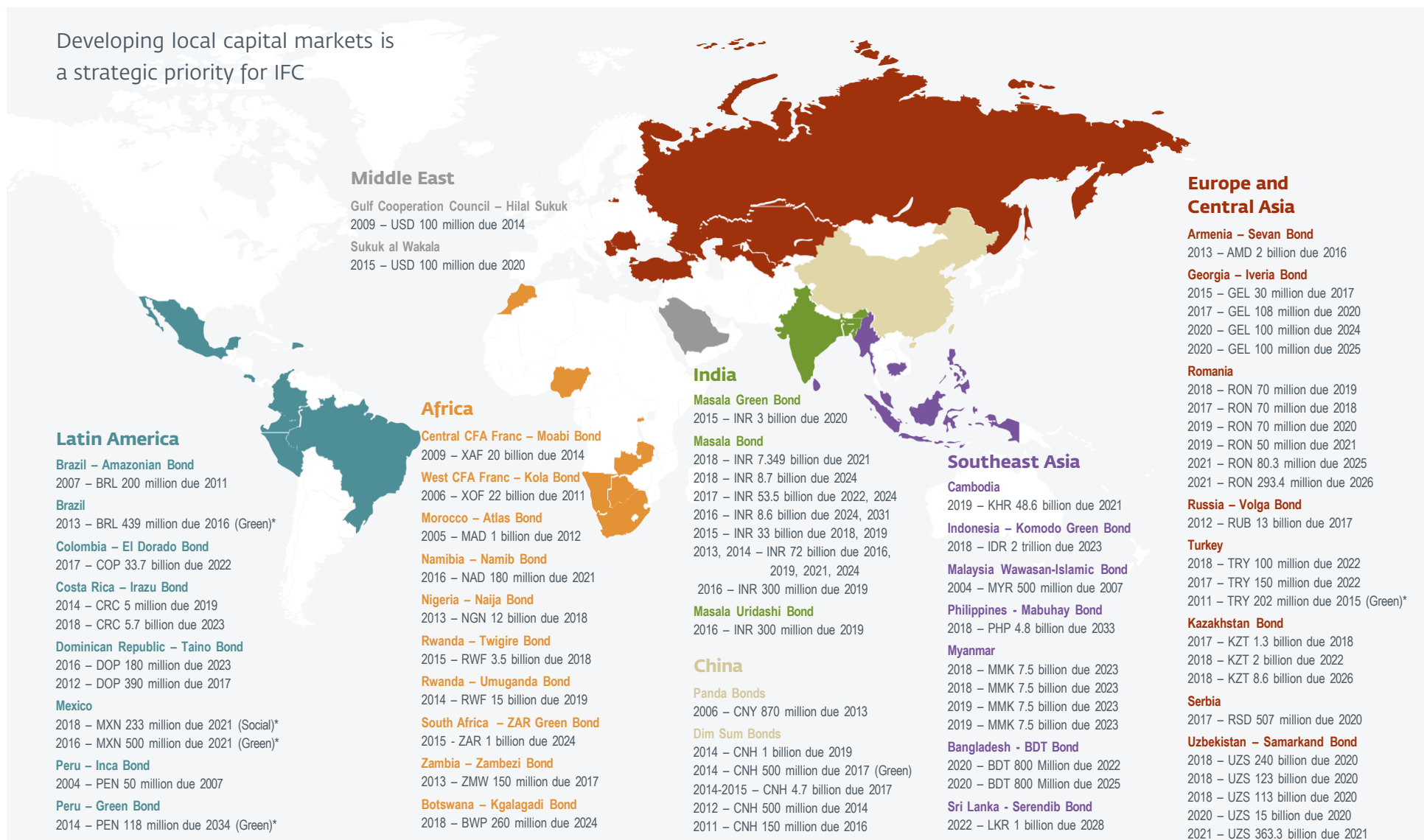
Discount Note Program

- Launched in June 2009 to complement IFC's GMTN Program
- Offers a **high-quality short-term investment opportunity** in USD and CNH
- During FY22, IFC issued a total of \$7.5 billion under its global discount note program
- \$5 billion authorized outstanding limit for FY23

- **Denominated in USD and CNH**
- **Maturities range from overnight to 360 days**
- **Minimum order of \$100,000**
- **Uncertified book-entry form**
- **IFC's fiscal agent: Federal Reserve Bank of New York**
- **Settlement via Fedwire for USD discount notes**
- **Bloomberg ticker: IFC<go>7 and ADN<go>8**
- **Offered through 10 dealers:**
 - Barclays Capital**
 - BofA Securities**
 - CastleOak Securities**
 - Jefferies**
 - JP Morgan Securities**
 - Mesirow Financial**
 - Mizuho Securities USA**
 - Nomura Securities International**
 - UBS Securities**
 - Wells Fargo Securities**

Issuing in Local Markets

Developing local capital markets is a strategic priority for IFC



* Thematic Funding issuance

Awards

<p>2022</p> <p>Environmental Finance</p> <p>SSA Social Bond of the Year: USD 500mn social FRN</p>	<p>2021</p> <p>CMD PORTAL</p> <p>Top Deal Winner: First SSA to price debt offering using SOFR</p>	<p>2021</p> <p>GLOBAL FINANCE</p> <p>Outstanding Leadership in Sustainable Finance</p>	<p>2021</p> <p>mtn-i</p> <p>SRI Deal of the Year, SSA Deal of the Year and Local Currency Deal of the Year: SEK3bn Social Bond</p>	<p>2021</p> <p>Environmental Finance</p> <p>Impact Report of the Year</p>
<p>2021</p> <p>Environmental Finance</p> <p>SSA Social Bond of the Year: USD1bn social bond and social bond issuances in SEK</p>	<p>2021</p> <p>CMD PORTAL</p> <p>Best Debt Capital Market Investor Relations Team Award</p>	<p>2021</p> <p>mtn-i</p> <p>Deal of the Year: AUD200m 1.5% Kangaroo Social Bond due 2035</p>	<p>2020</p> <p>Environmental Finance</p> <p>Initiative of the Year</p>	<p>2020</p> <p>mtn-i</p> <p>Deal of the Year: EUR 20m Green NSV Bond</p>
<p>2020</p> <p>mtn-i</p> <p>Editor's Award: IFC's Collaboration with GPIF</p>	<p>2020</p> <p>mtn-i</p> <p>Deal of the Year: USD 19m Currency-Linked Social Notes due 2021</p>	<p>2019</p> <p>mtn-i</p> <p>APAC Editor's Award: GPIF and WBG's ESG Contribution</p>	<p>2019</p> <p>mtn-i</p> <p>Deal of the Year: USD 12m 7.5% Synthetic Notes due 2021 Linked to KHR</p>	<p>2019</p> <p>Environmental Finance</p> <p>Impact Report of the Year</p>
<p>2019</p> <p>GlobalCapital</p> <p>Best Supranational Dollar Deal of the Year</p>	<p>2019</p> <p>Climate Initiative Bonds</p> <p>Green Bond Development Bank of the Year</p>	<p>2018</p> <p>mtn-i</p> <p>Power Performer: Uridashi</p>	<p>2018</p> <p>GlobalCapital</p> <p>Most Innovative SSA MTN Issuer</p>	<p>2017</p> <p>mtn-i</p> <p>Investor Solutions: Triple-A Accelerated Return Notes</p>

Investing for Impact

Annex



Project example: Yemeni company feeds millions

Yemen is on the brink of famine: 17.4 million people don't have enough food to eat and an additional 1.6 million are expected to reach "emergency levels of hunger" by the end of 2022.

The impact of the war in Ukraine is particularly acute for Yemen because of escalating global wheat prices and the Yemeni private sector's diminishing purchasing power. Factors contributing to and exacerbating the emergency include eight years of violent conflict, an economic blockade, currency collapse, a fragmented banking system, flooding attributed to climate change, the COVID-19 pandemic, and most recently the war in Ukraine, which has triggered huge increases in the price of wheat and other basic commodities.

One of Yemen's largest food conglomerates, HSA Group, is playing a leading role in assuring that stocks of food like flour, sugar, wheat, and dairy products remain at adequate levels and are distributed to communities in need. Because HSA Group's operations also include transport, infrastructure, and shipping, it has the capacity to resurface roads and rebuild bridges destroyed by Yemen's warring factions, and supply the vehicles and fuel necessary to get food to the people at the greatest risk.

Financing constraints jeopardize HSA's long-term ability to provide food across the country. Yemen imports around 90 percent of its food, but international suppliers do not work with Yemen on credit as they do in other countries because of Yemen's weak banking system. Limited access to global financial markets means that companies like HSA have to be able to offer hard currency – in essence, pay for everything in cash, up front.



Loading dock of an HSA food-production company in Aden.

Photo: Courtesy of HSA Group

IFC is providing and has mobilized up to \$75 million in debt financing to provide working capital to HSA. The finance will help reduce food shortages and ensure supply chain sustainability, including the supply of staple foods to towns and villages across Yemen.

This is IFC's first investment in Yemen's agribusiness sector in more than 10 years and is part of a broader strategy to support businesses in fragile and conflict-affected countries.

Driving Gender Equality and Boosting Financial Inclusion in Türkiye



According to the World Economic Forum's Global Gender Gap Report, Türkiye has one of the highest gender gaps in labor force participation rates among OECD countries and emerging economies. Overall, the report ranks Türkiye 140th out of 156 countries on the gender gap in the Economic Participation and Opportunity category.

To boost access to finance and employment opportunities for women in the country and create more gender-equal businesses, IFC is providing a \$100 million financing package to Türkiye Sinayi Kalkinma Bankasi (TSKB), the country's largest development bank, to allocate to mid-cap companies in Türkiye that are also women-inclusive enterprises.

To qualify as a women-inclusive enterprise, a company must meet specific gender criteria, such as having a minimum number of women owners, board members, or senior executives, a valid gender equality certification, or a minimum score from IFC's gender tool kit.

TSKB and IFC are long-standing partners. IFC has provided financing to the bank since 1963, with a focus on energy efficiency, renewable energy, and reducing pollution. The bank identified gender finance as a focus area in 2016 and has been systematically developing the area since then.

IFC has supported private sector development in Türkiye for more than 50 years, with a committed exposure of over \$4.3 billion in the country as of June 2021.

Project example: Affordable Medication in Mexico

Mexico is considered an upper-middle-income country, but it has wide disparities in standards of living, an aging population, and an increasing incidence of chronic diseases. In the pharmaceutical industry Grupo Neolpharma has built a business model focused on the development and manufacturing of high-quality, low-cost medicines for the low- to middle-income population. The company is engaged in different segments across the pharma value chain.

The company's financing with IFC, which took place in 2021 as a \$30 million loan package including \$15 million concessional financing from the Canada-IFC Blended Climate Finance Program, is structured to build a long-term working relationship. The \$30 million investment includes a climate change mitigation component, setting a best-practice standard for the Mexican pharmaceutical market.

There were facilities' projects involved, such as a new plant for making injectable products like vaccines. But there was also a recognition of the need for sustainable, flexible financing. For example, Neolpharma is partnering with local research institutions such as [Autonomous University of Queretaro](#) to explore possibilities in patenting new products. It is also developing forms of industrial manufacturing with a low carbon footprint. Both of these endeavors, and others, could require sudden needs for financing that are not always possible to foresee. Both Neolpharma and IFC are interested in demonstrating that a small, family-owned company can become technologically sophisticated enough to compete meaningfully in the complex global life sciences industry.



Grupo Neolpharma

Project example: Developing Uzbekistan's Green Banking Capacity



Uzpromstroybank's branch office.

Photo: Courtesy of Uzpromstroybank

Uzbekistan, the most populous country in Central Asia, has been undergoing an unprecedented economic transformation since its government launched a National Development Strategy to open the country to foreign investment in 2017.

Key to this has been privatizing state-owned banks. Since 2019, IFC has been working with Uzpromstroybank – the second largest bank in the country – to prepare the bank for privatization by strengthening the bank's corporate governance practices, commercializing its operations, and reducing state involvement in decision-making, while also helping the bank build a green banking franchise.

A recent \$75 million loan by IFC to Uzpromstroybank will finance more climate-friendly projects and expand lending to small and medium enterprises (SMEs) in Uzbekistan. The long-term funding – not readily available in the market – will further incentivize the bank's transformation with an option for IFC to convert the loan into equity.

While the proceeds of the project are earmarked for on-lending to SMEs, 50 percent of the loan will be dedicated to climate finance, enabling the bank to scale up its green banking program.

Uzbekistan plans to sell shares in state-owned banks to investors as part of a drive to transform the country's financial sector. Privatization will bring in new capital, global expertise, and modern technology that will benefit the banking sector and its customers. Currently, state-owned banks dominate Uzbekistan's banking sector – 83 percent of banking assets are held by state-owned banks.

Investing for Impact

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