

INCLUSION

Across everything we do, IFC works to support inclusive business models that improve livelihoods and create opportunities for the people who need them most.

This means opening doors to business opportunities for women entrepreneurs and job creation for those at the base of the economic pyramid, such as refugees. More broadly, it also means widening the private sector's role in countries that receive little investment or face other major challenges. However it is defined, inclusive business models are needed for growth to be sustainable and effective in reducing poverty.

Photo: In Kenya, joint IFC and UNHCR work helped attract private businesses, including this bakery, to the Kakuma Kalobeyi refugee-hosting area, creating job opportunities and enhancing access to services for refugees and host communities.



PRIVATE SECTOR SOLUTIONS FOR REFUGEES AND HOST COMMUNITIES

The number of people around the world who have been forcibly displaced from their homes reached 110 million in 2023—a record high. An estimated three out of four of these people are hosted in low- and middle-income countries, often by communities facing similar socioeconomic challenges.

This grim statistic calls for innovative approaches to address a crisis that shows no signs of abating. In 2018, the United Nations General Assembly affirmed a Global Compact on Refugees, a historic framework calling for greater support for people forced to flee, as well as the communities that host them. It envisages a more significant role for the private sector to help create an enabling environment for refugees to become more self-reliant so they can build their own futures and contribute to their host communities.

In response to this call to action, in December 2022, IFC and UNHCR (the UN Refugee Agency) established a Joint Initiative to create opportunities for refugees and their host communities. The Joint Initiative provides operational support to IFC and UNHCR teams and promotes knowledge sharing to facilitate the engagement of private

sector stakeholders in refugee-hosting areas. It taps into private sector expertise, financing, and innovation to improve the quality of life for those forcibly displaced and their hosts. Through job creation, affordable and inclusive services, financing infrastructure, and providing capital for small and medium enterprises, significant progress can be made in fostering economic growth and empowerment.

Since 2016, IFC and UNHCR have been working together on project implementation in countries including Brazil, Colombia, Ethiopia, Iraq, Jordan, Kenya, Lebanon, and Uganda.

IFC's new formal partnership with UNHCR will build on the experience of this work and allow them to have a more significant impact in supporting local economies and markets, in alignment with the spirit of the Global Compact on Refugees.

Photo: IFC and Colombian microfinance bank, Bancamía, launched a pilot program to help Venezuelans in Colombia integrate into social and economic life. Venezuelan migrant María José Noguera Martínez took out a Bancamía micro loan to start her business.





GENDER BONDS: BREAKING DOWN BARRIERS

Photo: Brazilian entrepreneur Júlia Morais started her business, Flor de Maio, to provide natural and holistic healthcare products to women in her community. She was able to grow her business, thanks in part to a loan from Itaú Unibanco.

In the heart of Brazil, a small business owner had a vision, but like many women entrepreneurs in her region, she faced significant barriers in accessing the necessary capital. Meanwhile, thousands of miles away in Indonesia, another woman shared a similar dream and faced similar challenges.

In 2023, these women and thousands of female entrepreneurs like them saw their dreams begin to take shape, thanks to an innovative partnership between IFC and two commercial banks.

In Brazil, IFC partnered with Itaú Unibanco, subscribing to a \$200 million gender bond. This marked the first gender bond issued by a private bank in Brazil, and it was a game changer for thousands of women. The bond supported Itaú Unibanco's lending program to women-owned small and medium enterprises (WSMEs), particularly those in underserved

regions. With this support, entrepreneurs across the country were able to secure the funding needed to expand their businesses, hire more local artisans, and contribute to their local economies.

In Indonesia, IFC embarked on a landmark social and green bond deal with PT Bank BTPN Tbk (BTPN), worth up to \$500 million. This investment was not just about green growth; it was also about empowering women business owners. The financing gap for MSMEs in Indonesia, exacerbated by COVID-19, was a significant hurdle for entrepreneurs, with women among the hardest hit. However, with half of the social bond proceeds now earmarked for WSMEs, thousands of entrepreneurs will be able to secure the necessary funding to grow a greener, more inclusive economy.

These initiatives are part of IFC's Banking on Women (BoW) business, which has been providing financial and business solutions to women-led SMEs through financial institution partners. Since 2012, IFC's BoW business has mobilized and invested more than \$4.2 billion in financial institutions, specifically to finance women-led SMEs through 251 investment and advisory services in 76 countries.

Looking ahead, we remain committed to leveraging our capital, expertise, and influence to create markets and opportunities for women entrepreneurs. By doing so, we aim to build a better future where everyone, regardless of gender, has an equal opportunity to succeed.

From Brazil to Bali and everywhere in between, women entrepreneurs find themselves connected by shared experience. IFC's continuing support for social bonds is transforming women's entrepreneurial experience from hardship to opportunity.

PAKISTAN: SUPPORT AT A CRITICAL TIME

In a year when Pakistan faced a crippling combination of catastrophic floods, an economic downturn in part due to the global energy crisis, and political instability, IFC more than doubled its annual investments in the country to nearly \$1.5 billion, a new record and testament to our role as a countercyclical investor.

This unprecedented level of IFC support came as the country is confronting its worst economic crisis in decades. Amid Pakistan's declining foreign reserves, companies need hard currency to do business in industrial and manufacturing sectors. But commercial banks' ability to lend to the private sector has been low amid the broader uncertainty.

IFC has provided a lifeline with short-term finance, which rose by more than 80 percent this fiscal year. IFC's investments included the launch of a pioneering supply chain risk-sharing facility to increase our capacity to support clients in key sectors such as complex manufacturing and export-oriented products, as well as value chains of smaller businesses.

IFC is also helping address Pakistan's challenges by providing long-term financing. In healthcare, our financing for a private hospital in the Khyber Pakhtunkhwa province is helping improve access to high-quality healthcare services, especially for low-income patients. There is only one doctor for every 3,000 people in the province, less than a third of the national average and well below World Health Organization recommendations. The investment builds on earlier IFC advisory work that helped

Northwest hospitals monitor and improve their quality of care, strengthen corporate planning, and improve internal processes and corporate governance. Approximately 25 percent of patients come from nearby Afghanistan.

IFC's investment in the hospital is supported by a co-investment from the blended finance facility of the International Development Association's Private Sector Window. The blended concessional finance co-investment is addressing a gap in the availability of the long-term financing that the project needs to deliver the anticipated impact.

Our global focus on addressing the impacts of climate change is also evident in Pakistan, a country that is responsible for only 0.3 percent of global emissions but is disproportionately affected by extreme weather events such as floods and cyclones. We are looking to scale up support for sustainable and climate-resilient infrastructure while also supporting micro, small, and medium enterprises and strengthening capital markets. In addition to financial support, IFC provides advice on partnerships between the government and private sector to improve the country's water supply, hospitals, and airports. Through this support, a first-of-its-kind framework has been developed for airport outsourcing in the country.

Photo: Northwest General Hospital and Research Center in Peshawar, Pakistan.



**James
Morley**

Senior Investment
Officer, IFC, Singapore

“There is a huge need for improved healthcare in this city of more than 2 million people with a large Afghan refugee population, but no other hospitals of this quality.”

Amid the global COVID-19 pandemic, James Morley began working on IFC's \$11 million investment in the expansion of two private hospitals serving low-income patients in Peshawar, Pakistan. For the first two years, travel was impossible. As time went on, a deep macroeconomic crisis began to emerge in Pakistan, decreasing the Pakistani rupee's value by 50 percent. Then the Taliban takeover of neighboring Afghanistan led to a flood of refugees, making conditions even more challenging in the province.

But thanks to the team's persistence, a committed client, and IFC support that included blended finance and Upstream/advisory, the client received the transformative IFC funding, increasing access to healthcare for thousands of people in this frontier region of the country.

AFFORDABLE HOUSING: FILLING THE GAP

The world faces a vast shortage of affordable housing. Demand greatly outstrips supply, affecting more than a billion people. IFC is mobilizing its toolkit to tackle this crisis with new urgency.

Consider Papua New Guinea, which struggles with a critical housing shortage in its capital, Port Moresby. An estimated 56 percent of the city's population will live in informal settlements by 2030 unless the issue is addressed. High prices and a lack of supply are pushing people to live in unsafe conditions.

IFC has signed an advisory agreement with the government to address this shortage through structuring and implementing a public-private partnership that will help provide a variety of single-unit family dwellings and affordable flats. IFC will assist the government in running an open and competitive bidding process to identify a highly experienced private developer to design, finance, build, and maintain the housing for a defined period. This affordable housing project will not only help address a housing shortage and problems associated with informal settlements, but will also provide a stock of climate-resilient homes that incorporate green design specifications.

Photo: New affordable urban housing under construction in the Mandeni Municipality of South Africa's iLembe District of KwaZulu-Natal.





Home ownership is one of the most important ways for people to build wealth and transfer it to the next generation. In South Africa, IFC is helping put more people on that path, which, in addition to improved access to finance, sometimes requires resolving complex legal issues that stand in the way.

South Africa's government has built more than a million subsidized houses for its low-income populations in recent decades. But in many cases, when people received the houses, title deeds were not transferred, leaving occupants unable to legally sell or borrow against the property. This has kept an estimated 242 billion rand (approximately \$12 billion) in assets out of the hands of the country's poorest households. With the support of the Swiss State Secretariat for Economic Affairs (SECO), IFC advisory services has helped two municipalities near Durban locate the rightful owners, transfer full ownership to them, and make sure the problem does not repeat itself.

Photos left: Sifunda Amos Nkosi (above left, accompanied by Thobeka Cele) and Nonhlanhla Msweli are among the low-income homeowners who have now acquired titles to their property thanks to the advisory services IFC and SECO are providing to municipalities in South Africa.



Amina

Khaled El Zayat

Senior Operations Officer,
IFC, Johannesburg

“This story touched me on a personal level, as I was able to see very immediate and tangible results on the ground as a consequence of our work.”

Amina Khaled El Zayat says the South Africa Property Titling advisory project took her deeper into the grassroots than anything else in her 15-year career at IFC. It helped the KwaDukuza and Mandeni municipalities near Durban locate the owners of low-income housing and put the title deeds into their hands. The lessons from this pilot project are now discussed at the policy level to replicate its success on a larger scale.