STRATEGY IN ACTION

THOUGHT LEADERSHIP AND CAPACITY BUILDING

Collaborating with partners to build expertise and share knowledge is an essential part of IFC's mission.

In addition to the hundreds of projects we carry out each year, we conduct regional and thematic research initiatives to provide evidence-driven recommendations on how the private sector can help address the most urgent challenges of development. These efforts help set a broader agenda for business and finance in the developing world, pointing the way to new solutions for a more sustainable and inclusive world.

Through partnerships, we also work to build the capacity of leaders in emerging and developing economies to develop their skills and knowledge.

Photo: IFC financing helps Kenyan financial technology firm M-KOPA expand its flexible credit model, giving customers access to everyday essential products by paying a small deposit followed by digital micropayments.

IFC AND WTO:

TRADE FINANCE IN AFRICA

At the height of the COVID-19 pandemic, the trade finance gap added to an array of disruptions in moving critical goods and commodities across borders. Restoring and increasing access to trade finance to boost trade flows is a critical policy priority to support economic growth prospects.

In FY23, IFC and the World Trade Organization (WTO) joined forces to understand how to scale access to trade finance in West Africa's four largest economies—Côte d'Ivoire, Ghana, Nigeria, and Senegal—which face a trade finance shortage of up to $14 billion annually.

The study, *Trade Finance in West Africa*, finds that the high cost and limited scope of existing trade finance products in these economies severely limits their trade. By lowering the costs and increasing the availability of trade finance, these countries could boost their exports and imports by up to $26 billion annually. Additionally, providing greater access to trade finance would bring major economic benefits and has become a key focus of IFC's work across the continent. This has included joint capacity-building workshops with WTO for banks, SMEs, industry associations, and government officials in Rwanda and Côte d'Ivoire.

Complementing that outreach is the African Trade and Supply Chain Recovery Initiative, launched by IFC in 2022 with the support of the International Development Association's Private Sector Window. It provides funding and risk mitigation through local financial institutions to importers and exporters of essential goods across Africa, especially in the poorest and fragile and conflict-affected countries. In its first year, the initiative provided seven banks with trade finance lines totaling $75 million in countries such as Burkina Faso, Burundi, Guinea, and Mauritania. This included a $5 million facility for Interbank Burundi, supported by advisory services, and $10 million to bolster the growing trade finance business of Mauritania's Banque Mauritanienne de l'Investissement.

Ngozi
Okonjo-Iweala
WTO Director-General

"Our collaboration with IFC has helped us better understand what is happening with trade finance in Africa, enabling IFC to help plug the trade finance gaps. Our landmark study showed that only 25 percent of West Africa's trade was supported by trade finance, at high cost, marginalizing small traders and keeping them downstream in production."

IFC AND IEA:

SCALING UP INVESTMENT IN CLEAN ENERGY

Growth in emerging markets and developing economies will result in increasing energy demand that governments alone cannot fulfill—unless they cut other critical expenditures. A joint report by IFC and the International Energy Agency calls on the private sector to step up.

The report, *Scaling Up Private Finance for Clean Energy in Emerging and Developing Economies*, finds that annual clean energy investments in emerging and developing economies will need to more than triple by the early 2030s and stay at those levels for another 20 years to meet rising energy needs and align with the climate goals set out in the Paris Agreement.

It estimates that about 60 percent of this financing will have to come from the private sector, amounting to about $1 trillion annually by the early 2030s, up from $135 billion today. Encouragingly, new climate-friendly energy solutions are being introduced to the market, but they face risks of uneven development and deployment, potentially leaving many countries behind.

For the private sector to play its part, clean energy projects need to be developed that match investors' risk and return expectations. Currently, the cost of capital for a typical utility-scale solar project can be up to three times higher in emerging economies than in advanced ones, reflecting real and perceived risks at the country, sectoral, and project levels. The World Bank Group will be instrumental in de-risking projects through blended finance and in improving project preparation to scale up opportunities.

The report stresses the importance of de-risking for projects that involve newer technologies that have yet to scale and are not yet cost-competitive in many markets, such as battery storage, offshore wind, renewable-powered desalination, or low-emissions hydrogen. Projects using more traditional technologies but located in riskier markets will also require de-risking.

Photo: IFC-financed Cibuk 1 wind farm in the northern Serbian province of Vojvodina.

CAPITAL MARKETS: TRAINING THE NEXT GENERATION OF LEADERS

With sufficient financing, companies create jobs—providing the steady incomes that lift people out of poverty. Along with loans and equity investments, mature capital markets play a critical role in enabling business owners to access long-term financing, allowing them to grow their operations and hire more people.

But in many countries, capital markets remain underdeveloped because they lack a critical mass of knowledgeable regulators who can carry out reforms to modernize the financial sector and develop local capital markets. This is why IFC has teamed with the Milken Institute in the United States and Paris Europlace in France to train future leaders at the George Washington University and Paris Dauphine University.

Successful capital market development requires robust skills in financial regulation, market intermediation, and policy planning. Over the past seven years, the IFC-sponsored Capital Markets Program has addressed this need, educating mid-career professionals from ministries of finance, central banks, stock exchanges, and capital market authorities. Since its inception in 2016, the program has trained over 220 professionals across 58 countries.

"The program has really been very beneficial to our countries by preparing participants to be the next crop of governors, ministers of finance, and other positions in our countries," said Patrick Njoroge, governor of the Central Bank of Kenya.

"If such opportunities can be afforded to many people in developing countries, it can help to change Africa," said program alum Vusani Khoza of the Central Bank of Eswatini.

The students spend about eight months in Washington, D.C., or in Paris, first completing a certificate program at the George Washington University or an executive master's at Paris Dauphine, with courses on financial markets fundamentals, corporate governance, regulatory regimes, and other topics. Then they intern at investment banks, asset management firms, or international organizations like the World Bank Group.

Photo: May 2023 graduation ceremony for the ninth cohort of the IFC-sponsored Capital Markets program.