

IFC BOARD

The past year has been immensely challenging around the world — especially for developing countries — as the COVID-19 pandemic reversed decades of progress in ending extreme poverty, achieving shared prosperity, and reducing inequality. The World Bank Group responded swiftly and extensively to the health, economic, and social impacts of the crisis to help spur recovery. But more needs to be done to address the needs of the marginalized and those who live in the poorest areas. The Board discussed and approved several important initiatives and programs in support both of countries' immediate needs and of long-term development goals.

Vaccines. We have made key and timely decisions on proposals by Bank Group management to respond to the pandemic and finance vaccination efforts, including mechanisms for prompt delivery. The Bank Group is partnering with WHO, COVAX, UNICEF, and others, including private manufacturers, to help facilitate transparent, affordable, and fair access to vaccines for developing countries and to continue strengthening global preparedness for future pandemics.

Assisting the poor. To help start the process of recovery, the Bank Group registered a historic increase in the delivery of lending for projects and initiatives to assist low- and middle-income countries, including small states, in tackling multifaceted challenges, safeguarding human capital, and providing social safety nets to target their most vulnerable people.

Given the immense financing needs, we agreed to bring forward the IDA20 replenishment process, which we expect will be completed by December 2021. At the 2021 Spring Meetings, the Development Committee also asked the Bank to scale up its work to address rising levels of food insecurity and to support countries in achieving SDG 2, and nutrition for all, along with other partners.

Green, resilient, and inclusive development. The Bank Group continues to support countries in achieving the twin goals of ending extreme poverty and boosting shared prosperity. In responding to the COVID-19 crisis, the Bank Group has an opportunity to help low- and middle-income countries build the foundations for a strong and durable recovery based on a framework that we discussed, which supports green, resilient, and inclusive development. We believe that this, in turn, can help address the longer-term challenge of climate change.

Climate. We hope that the ambitious new targets for climate financing outlined in the Climate Change Action Plan 2021–25 and the alignment of the Bank Group's financing with the Paris agreement — complemented by the approach to green, resilient, and inclusive development and efforts to build long-term resilience for food security — will help deliver on the twin goals and the Sustainable Development Goals.

Knowledge framework. We welcomed the discussion of the new Strategic Framework for Knowledge, which strives to better integrate knowledge into solutions for clients and the global community. We look forward to implementation of this framework, which will strengthen the Bank Group's role as a source of solutions.



IFC BOARD

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The World Bank Group remains ready to help our clients on the path to recovery.

Debt. As countries face increasing debt burdens, our Governors, together with the IMF, have given the Bank Group a mandate to address fiscal and debt distress in IDA countries in a way that supports green, resilient, and inclusive development and poverty reduction. We are hopeful that the G20 Common Framework, along with extension of the Debt Service Suspension Initiative to the end of 2021, will allow beneficiary countries to dedicate more resources to tackling the crisis, investing in healthcare and education, promoting growth, and improving their long-term approaches on debt.

Private sector. Recognizing growing credit constraints, the private sector is a critical player in helping client countries attain their development goals, create and develop markets, mobilize resources, and respond to COVID-19, including through IFC's Global Health Platform and MIGA's response programs. We expect the Bank Group to keep building partnerships across a common strategic framework to help generate private sector solutions that address development challenges.

Racial justice. There were important efforts this year to address racial injustice within the Bank Group and with our clients, including a set of recommendations put forth by the End Racism Task Force to fight racism and racial discrimination. We look forward to implementation of these recommendations through an action plan that will reaffirm this institutional value, which is embedded in the Bank Group's Code of Ethics.

Accountability mechanisms. We also reaffirmed the importance of accountability mechanisms for people and communities who believe that they have been, or are likely to be, adversely affected by Bank Group projects and investments. We have approved enhancements to the Bank Group's social and environmental accountability framework, including changes to the World Bank Inspection Panel's toolkit and to the reporting line of the Compliance Advisor Ombudsman for IFC and MIGA.

Leadership, staff, and return to office. November 2020 marked the transition to a new Board of Executive Directors, and in February we welcomed Makhtar Diop as IFC Managing Director and Executive Vice President.

We look forward to the widespread availability of COVID-19 vaccines across the globe, the safe return of the Bank Group's staff to the office, and the overall return to a new normal. Our utmost appreciation goes to the staff for their ongoing dedication to the Bank Group's mission and their perseverance and hard work over the past year, despite the immense and sudden change in their working environments.

The World Bank Group remains ready to help our clients on the path to recovery. We hope that the new fiscal year brings good health and strong development outcomes for all.

LETTER FROM DAVID MALPASS

President of the World Bank Group

Message from the President

Since the start of the COVID-19 pandemic, the World Bank Group has worked hard to help countries fight the pandemic's health, economic, and social impacts. From April 2020 through the end of fiscal 2021, the Bank Group committed over \$157 billion — the largest crisis response in any such period of our history. We have helped countries address the health emergency, procure billions of dollars of medical supplies, deploy COVID-19 vaccines, strengthen health systems and pandemic preparedness, protect the poor and vulnerable, support businesses, create jobs, promote growth, and expand social protection.

Despite this unprecedented global effort, the pandemic has reversed gains in global poverty reduction for the first time in a generation, pushing nearly 100 million people into extreme poverty in 2020. I remain deeply concerned about fragile states, which have been particularly hard-hit by unsustainable debt burdens, climate change, conflict, and weak governance. And though I am hopeful for the global economy to rebound, many of the world's poorest countries are being left behind, with inequality widening both within and between countries. We are committed to working with our partners to find solutions to these urgent challenges — including by promoting transparency, human rights, and a rule of law that extends accountability to all institutions. We are working to save lives, protect the poor and vulnerable, support business growth and job creation, and rebuild in better ways toward a green, resilient, and inclusive recovery.

Ensuring safe, fair, and widespread immunization will be key to curb the pandemic and advance recovery: we are supporting countries' access to COVID-19 vaccines, including through COVAX and directly from manufacturers. The World Bank has expanded its financing available for COVID-19 vaccines to \$20 billion over two years — in fiscal 2021 alone, we committed \$4.4 billion for 53 countries. Working with WHO, Gavi, and UNICEF, we developed mechanisms for safe distribution in 140 low- and middle-income countries. We are partnering with the African Union and the Africa Centers for Disease Control to support the Africa Vaccine Acquisition Trust (AVAT) in order to help countries purchase and deploy COVID-19 vaccines for up to 400 million people across Africa. And we are working with the IMF, WHO, WTO, and other partners to track, coordinate, and advance delivery of vaccines to developing countries.

IFC is doing vital work to build resilient health systems and expand the manufacturing and supply chains for COVID-19 vaccines. Through its Global Health Platform, IFC committed \$1.2 billion to support vaccine



manufacturing capacity, including in Africa, and the production of essential services and medical equipment, including test kits and personal protective equipment. IFC-led investments include the mobilization of a €600 million financing package to boost COVID-19 vaccine production in South Africa, support to vaccine manufacturers in Asia, and investments in medical equipment manufacturers and suppliers.

To address many countries' risk of debt distress, we've played a key role in the G20's Debt Service Suspension Initiative, alongside the IMF. The effort has helped more than 40 countries to suspend debt service payments in excess of \$5 billion, freeing up fiscal space as countries combat the crisis. While I am pleased the

LETTER FROM DAVID MALPASS

President of the World Bank Group

initiative has been extended to the end of 2021, more needs to be done, particularly to reduce the stock of debt in the poorest countries. With the IMF, we are helping implement the G20 Common Framework for Debt Treatments, which aims to reduce countries' debt burdens for the long term.

As the world emerges from the pandemic, climate change will remain a central challenge. The World Bank Group is the largest multilateral provider of climate finance for developing countries. Over the past five years, we have delivered over \$83 billion — in fiscal 2021 alone, our climate finance totaled over \$26 billion. Our new Climate Change Action Plan, launched in June, seeks to integrate climate throughout development efforts, with a focus on greenhouse gas reduction and successful adaptation. The plan commits us to 35 percent of Bank Group financing having climate co-benefits over the next five years; 50 percent of IBRD and IDA climate financing will support adaptation and resilience. We will align all World Bank financing with the goals of the Paris Agreement starting on July 1, 2023. For IFC and MIGA, 85 percent of Board-approved real sector operations will be aligned starting July 1, 2023, and 100 percent starting July 1, 2025. We will support countries' preparation and implementation of Nationally Determined Contributions and long-term strategies; these, in turn, will inform our Country Partnership Frameworks. And we will support countries' transition away from coal to affordable, reliable, and cleaner alternatives for electricity. Our efforts will help countries grow their economies while reducing emissions, adapting to climate change, building resilience, and protecting natural resources, including biodiversity.

In fiscal 2021, IBRD committed \$30.5 billion to middle-income countries, and IDA committed \$36.0 billion on grant and highly concessional terms to the poorest countries. I welcomed the G20's endorsement of advancing IDA's 20th replenishment cycle to 2021, which will provide the poorest countries with more resources to overcome the crisis and work toward recovery. I am also pleased that, after nearly three decades, Sudan cleared its arrears to IDA in March, enabling full reengagement with the Bank Group and paving the way for the country to access nearly \$2 billion in IDA financing.

IFC delivered a strong fiscal performance, reaching a record high of \$31.5 billion in financing, including \$23.3 billion in long-term finance and \$8.2 billion in short-term finance. IFC also scaled up its short-term financing offerings and kept trade flowing. With COVID-19 severely impacting private enterprises across emerging markets, IFC provided critical support through liquidity and trade financing, allowing companies to remain in operation, preserving jobs, and enabling long-term private sector intervention once pandemic impacts subside. We are accelerating the execution of the IFC 3.0 strategy to create more

investible projects in places where they are needed most, particularly in IDA and FCS markets, and build a pipeline of investments in a post-pandemic world.

In February, I was pleased to announce the appointment of Makhtar Diop as IFC's Managing Director and Executive Vice President. His leadership and experience will enable the World Bank Group to build on the unprecedented speed and scale of our response to the global crisis and support vital recovery efforts through the private sector.

MIGA issued \$5.2 billion in guarantees to help countries achieve their development goals. These efforts are expected to provide 784,000 people with new or better electricity service, support about 14,600 jobs, generate over \$362 million in taxes for countries, and enable about \$1.3 billion in loans, including to local businesses. MIGA continued to make progress across its strategic priority areas, with 85 percent of its projects in fiscal 2021 dedicated to climate mitigation and adaptation, projects in fragile and conflict-affected settings, and IDA countries.

As part of our ongoing commitment to fight racism and racial discrimination in our workplaces and our work, our senior management and I welcomed 80 recommendations submitted in fiscal 2021 by the Bank Group's Task Force on Racism. The first set of 10 foundational recommendations are already being implemented, and more are under review. I am grateful to all those who have come forward to engage on this important topic as we continue to work for tangible, meaningful, and long-lasting change.

Over the past year, our staff have gone above and beyond to support our clients, even as we transitioned to home-based work and coped with the pandemic's impact on our own lives, families, and communities. They have ensured the highest quality standards even as we stepped up our support to clients. I am grateful for this commitment to our mission, and I look forward to welcoming staff back to our offices as circumstances permit.

There is no path to sustainable, long-term growth without continuous progress in reducing poverty and inequality. With the dedication of our staff, the support of our partners, and our relationships with countries, I am confident that we will help countries overcome this crisis and return to the path of inclusive, sustainable growth.



David Malpass
President of the World Bank Group
and Chairman of the
Board of Executive Directors

World Bank Group Response to the COVID-19 Pandemic

The World Bank Group has mounted a broad and decisive response to the pandemic — the largest in our history. From April 2020 through the end of fiscal 2021 (June 30, 2021), Bank Group financing totaled over \$157 billion. The scale of this response reflects the Bank Group's strong financial position, underpinned by the 2018 IBRD and IFC General Capital Increases and the IDA19 Replenishment. It includes:

\$45.6B

in financing from IBRD for middle-income countries.

\$53.3B

of IDA resources on grant and highly concessional terms for the poorest countries, with built-in debt relief for countries at risk of debt distress.

\$42.7B*

from IFC to private companies and financial institutions.

\$7.6B

in guarantees from MIGA to support private sector investors and lenders.

\$7.9B

from recipient-executed trust funds.

*Includes long-term commitments from IFC's own account, short-term finance commitments, and core mobilization.

MEETING THE MOMENT

“At a time when so many others had to step back, IFC stepped forward: helping developing countries weather the worst of the health crisis, preserve jobs, and scale up climate solutions.”

Makhtar Diop, IFC Managing Director

HISTORIC GLOBAL CHALLENGES

- COVID-19 and its economic impact
- Climate change
- Fragility and conflict

OUR RESPONSE WITH THE PRIVATE SECTOR

- Largest-ever investment volume
- Expanded climate financing
- Developing investment pipeline for fragile countries



HOW WE DELIVERED

Collaborating for greater impact with clients, partners, co-investors

Resilient staff committed to flexibility and innovation

Using de-risking tools and creating mobilization platforms



Makhtar Diop

IFC Managing Director

Much can be learned in times of crisis. They hold up a mirror, forcing us to reckon with what we see. What did COVID-19 reveal? A world more interconnected than ever before, where health and economic outcomes are intertwined, conflict is on the rise, and progress against inequality is fragile. But perhaps the most important revelation is this: when a moment arrives that requires urgency and action, extraordinary things are possible.

I joined IFC in the midst of a global pandemic and in a world defined by uncertainty. It was a humbling experience that gave me a front row seat for this organization's extraordinary capabilities in the most challenging of circumstances. At a time when so many others had to step back, IFC stepped forward: helping developing countries weather the worst of the health crisis, preserve jobs, and scale up climate solutions while ensuring countries facing fragility, conflict, and violence are not left behind.

The pages that follow tell a more complete story, but a few facts are worth highlighting. In Fiscal Year 2021, IFC made \$31.5 billion in total commitments around the world, including \$11.9 billion in fragile, conflict-affected, and poverty-stricken countries.

We launched a \$4 billion financing initiative to help developing countries access healthcare supplies needed to fight the pandemic. We mobilized \$8 billion in liquidity financing to keep businesses in affected industries open, including \$400 million to reach small and women-owned businesses. We delivered a record \$4 billion in climate financing for our own account.

These numbers represent lives saved.
Businesses lifted. Communities protected.
Opportunities created.

Our accomplishments this year are a testament to the strength and resilience of IFC's teams around the globe. They stayed laser-focused on our mission even as they dealt with their own personal hardships related to the pandemic. Their dedication inspires me every day and gives me confidence that we are prepared for what the future demands of us.

The future demands that we be bold enough to venture into the world's most difficult places. That we be persuasive enough to convince our private sector partners to work with us to redefine impact investing. In short, the future demands our fearlessness. And we intend to deliver by setting our most audacious goal yet: doubling IFC's impact and mobilizing two dollars for every dollar we invest.

Tackling challenges, maximizing opportunities

We will begin by tackling the twin challenges that threaten our planet and our people.

First, we must act on one of our generation's most urgent tasks: addressing climate change. Time is running out to head off the worst-case scenarios predicted by scientists, and it is the world's most vulnerable — those who have contributed the least to climate change — who will suffer for it.

IFC recognizes that if we don't do our part to limit global warming, we will never accomplish our mission. In the face of such stakes, there is only one option: to meet this moment head on and fundamentally change how we operate. We have committed to aligning 100 percent of our direct investments with the objectives of the Paris Agreement by Fiscal Year 2026.

These same investments in climate solutions will also help us address the second major challenge facing the world: ensuring the current health pandemic does not allow a pandemic of inequality to take root.

COVID-19 dealt a devastating blow to emerging markets, reversing years of economic progress in a few short months. As many as 150 million people are expected to slip into extreme poverty by the end of 2021. There is no question that the private sector will be the primary driver of recovery. With IFC's leadership and expertise, we can and will ensure that recovery is green, inclusive, and resilient.

Our efforts must focus on several fronts concurrently — first among them the systemic healthcare vulnerabilities the pandemic exposed. Developing countries need equitable access to vaccines and medical supplies to fight COVID-19 and other diseases. IFC is helping to facilitate this by rethinking its approach to investing in the healthcare industry. We will be focused on addressing market gaps, improving local manufacturing and distribution capacity, and supporting public-private partnerships to strengthen health system resilience. The best time to prepare for the next global health crisis is right now, and we intend to do our part.

We must also shore up the micro, small and medium enterprises who are still struggling in the wake of the pandemic. Access to capital has always been the biggest constraint on business growth in developing countries, with pre-pandemic data pointing to a nearly \$8 trillion financing deficit. That gap is almost certainly larger now, with enterprises that were already credit constrained having little buffer to help weather the disruptions caused by COVID-19.

IFC's recent commitment of \$2 billion in new financing for micro-, small-, and medium-sized enterprises in Africa is only the beginning of our support efforts. These businesses are the economic foundation for countries around the world — delivering essential services, creating jobs, and lifting families out of poverty — and we must ensure their long-term survival.

We are particularly focused on using our investments to regain ground on gender equity. The pandemic forced countless women out of the labor market and into unpaid care work. If we don't want to lose an entire generation of female entrepreneurs, we must support women-owned businesses — and IFC's Banking on Women initiative has already invested more than \$3 billion in 104 financial institutions in 56 countries to support sustainable financial services for women.

Investing in climate solutions, health, and small businesses will go a long way toward ensuring a green, inclusive, and resilient recovery from the pandemic. But addressing challenges will only get us so far. We also must be relentless about maximizing opportunity — and there is perhaps no greater opportunity than bridging the digital divide.

The pandemic made plain what we have known to be true for some time: the digital economy is the economy of the future. There is practically unlimited potential in developing countries if we give young people the skills, tools, and resources they need to become the next generation of coders, digital creators, and tech entrepreneurs. But while the pace of digital adoption around the world has increased in the past 18 months, emerging markets still lack the universal digital connectivity that could spur further growth.

\$31.5B

**TOTAL
COMMITMENTS**
AROUND THE WORLD

LONG-TERM FINANCE

LONG-TERM INVESTMENT
COMMITMENTS

**\$23.3
BILLION**

SHORT-TERM FINANCE

\$8.2B

IN SHORT-TERM
FINANCE



outpacing the previous annual high
of **\$7.4** billion in FY18

KEY THEMES

\$4B

IN **CLIMATE**
FINANCING FOR OUR
OWN ACCOUNT

25%

IDA-17-eligible and fragile countries
accounted for 25 percent of IFC's own
account long-term finance commit-
ments; climate business for 32 percent.

\$1.58B

committed in new long-term
finance for financial institutions
specifically targeting women.



IFC's commitments to the telecom, media, and technology sector in emerging markets topped \$1 billion for the first time this year, with almost three-quarters going to Africa. But this is only the beginning of our efforts. A resilient recovery must include bringing digital connectivity to the entire developing world, allowing the poorest and most marginalized among us to access online learning and work opportunities.

Raising the bar

In order to achieve our ambitious goals, IFC must take the high bar we've set for ourselves and raise it even higher.

Our first duty is to lead from within. Accountability within our institution has never been stronger after the recent internal reforms and the new Independent Accountability Mechanism (CAO) Policy that came into effect on July 1, 2021. We now have new processes in place that give stronger voice to those who are negatively affected by IFC-supported projects, promote people's access to the CAO, and provide more opportunities for IFC and our clients to resolve concerns of local communities early and proactively. This holds us accountable, allows us to better assess our impact, and ultimately supports our goal of ensuring the benefits of development are felt by all.

We have also doubled down on our commitment to diversity within our ranks. The wide range of backgrounds, experiences, and viewpoints within IFC is undoubtedly our biggest asset, and this year's appointment of our first dedicated Diversity, Equity & Inclusion Program Manager will ensure it stays that way.

Taking these steps to strengthen IFC internally will leave us well positioned to continue showing bold leadership externally in a post-pandemic world. We must have the same clarity of vision and bias toward action outside of a crisis that we do during one. This will mean increasing our own appetite for risk, especially when it comes to creating

markets in the places that need them most. Our Upstream initiative — which continued to build out our long-term pipeline even at the height of the pandemic — will be our primary vehicle for creating early project development opportunities and represents perhaps our brightest hope for the future.

We also must find bold and creative ways to bring even more private capital into the developing world. Despite the challenges of the pandemic, we still managed to mobilize our second highest amount of capital in IFC's history. But even this is not enough to achieve the ambitions we have set for ourselves.

Nurturing partnerships new and old will be essential to our success. We will create innovative funding platforms that allow us to broaden and diversify the ranks of our investors. And at every turn, we will proactively address the factors that are holding private sector entities back from investing in emerging markets — including through regulatory reforms and standard setting.

The pandemic showed there is no moment IFC cannot meet. I am so grateful for the incredible team that brought us to this moment, and that is so prepared to carry us into a brighter future. I hope you will join me in looking toward the months and years ahead with optimism — for our organization, our clients, people and communities we serve and the green, inclusive, and resilient future we will build together.



Makhtar Diop
IFC Managing Director