IFC STRATEGY AND CAPITAL INCREASE
Global Context: Meeting Development Goals Requires Increased Financing and Managing Global Risks in a Changing Landscape

More than 3 million new jobs are needed every month in Africa, MENA and South Asia...

Increase in working age population per month

**Over the next 15 years, thousands**

<table>
<thead>
<tr>
<th>Region</th>
<th>Increase in Working Age Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan</td>
<td>1,770</td>
</tr>
<tr>
<td>South Asia</td>
<td>1,020</td>
</tr>
<tr>
<td>MENA</td>
<td>720</td>
</tr>
<tr>
<td>Latin America</td>
<td>300</td>
</tr>
<tr>
<td>EAP (ex-China)</td>
<td>300</td>
</tr>
<tr>
<td>East Asia</td>
<td>-15</td>
</tr>
<tr>
<td>Europe and EAP</td>
<td>-50</td>
</tr>
</tbody>
</table>


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$3 trillion per year are needed to reach SDG goals, including ...

**Investment Gaps in Reaching SDG**

*In US$ Billion*

![Investment Gaps Chart](chart.png)

**Trillions of investments** needed to mitigate and adapt to climate change ...

**MIC and Mitigation**

- UMIC emitted 45% of global CO₂ in 2014
- LMIC emitted 12%

**Adaptation - Vulnerability to climate change**

![adaptation map](map.png)

**Rank 1**

169

Physical impacts adjusted for coping ability

Source: Center for Global Development, “Quantifying Vulnerability to Climate Change”

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Increased fragility and conflicts that are not contained by borders...

- More countries experienced violent conflict in 2016 than at any time in nearly 30 years.
- **65.6 million people forcibly displaced globally.**

Fragility threatens to slow – or reverse – recent gains in poverty reduction. If current trends persist, by 2030, **more than half of the world’s poor will live in countries affected by high levels of violence.**

Source: UCDP/PRIO Armed Conflict Dataset - UNHCR Global Trends 2017, as of end-2016 - OECD 2015
Global Context - Change Brings Uncertainty, but also Opportunity, and a Need to Complement the Standard Toolkit of Development with New Approaches

The rapid pace of technological developments presents developing countries with the opportunity to ‘leapfrog’ traditional development steps.

There are over $100 trillion of global savings potentially available for investment opportunities.

Two-thirds of global wealth is human capital. Developing new models for investing in human capital through innovation, skills and education is imperative.

Source: International Telecommunication Union
Source: 2015 OECD Institutional Investment report
Source: World Development Report 2018
The WBG is Uniquely Positioned to Support SDGs which requires Maximizing
Finance for Development

The WBG business model ...

Three dimensions of engagement  Three dimensions of leverage

Global reach  Convening Power & Partnership
Country-led  Financing
Public & Private  Knowledge

... maximizes development impact, and ...

... is uniquely positioned to mobilize domestic resources, attract private capital, and create markets.
Both private and public sector arms play an equally important role

Use of private sector solutions helps to:
• Create jobs in a sustainable manner
• Improve access to services, innovation and technology
• Demonstrate commercial viability of new markets
• Strengthen financial intermediation & expand local capital markets
• Generate tax revenues
• Mobilize third party capital
• Increase competition, set standards & improve sector performance

Support to public sector helps to:
• Establish a supportive investment climate to mobilize private capital for investment in development
• Address market failures & reduce risks.
• Improve domestic resource mobilization, from tax revenues to capital markets
• Enhance public expenditure management
Implementing the Forward Look for Greater Development Impact

With the Capital Package the WBG proposes to

Stay engaged with all clients
- Channel more resources to countries at the lower to middle range of the income spectrum
  - Increase share of IBRD lending to countries below the Graduation Discussion Income level
  - Increase share of IFC investments in IDA and FCS countries
- Bring focused and innovative solutions for boosting shared prosperity in upper range of income spectrum

Lead on the global public goods agenda
- Substantially scale-up WBG financing to tackle climate change
- Design and implement operations with actions to narrow gender gaps
- Improve access to technology and related innovative solutions
- Strengthen response to national, regional and global crises and prevent escalation of FCV situations and their spillovers

Create markets
- Scale-up mobilization of private sector financing and solutions to address development challenges across the income spectrum
- Increase share of equity investments in IFC’s total annual commitments
- Support development of local capital markets
- Mutually leverage WBG entities’ delivery channels to create markets and maximize finance for development

Improve continually WBG’s effectiveness and internal operational model
- Enhance complementarities across the WBG
- Introduce Board-approved IBRD Financial Sustainability framework, building crisis buffers
- Include a more systematic discussion of graduation in WBG CPFs
- Introduce new budget efficiency measures
The capital increase will enable IFC to implement the Forward Look and the **IFC 3.0 strategy**

**IFC 3.0 Creating Markets Strategy**

- **Countries / Regions**
- **Markets / Themes**
- **Products / Tools**

**Development Challenges**

**Toward 2030 – IFC’s strategic objectives**

- Increase private sector investments in the most challenging regions (Africa, MENA and South Asia) where the needs are greatest and private sector investments more scarce.

**How to do it? – IFC 3.0 Strategy**

- Create Markets - shifting from a reactive to a proactive approach.
- Continue and expand mobilization of private finance for development.

The successful *implementation of this strategy* entails:

- Enhanced WBG cooperation through implementation of the Cascade approach to expand use of private sector solutions
- Enhanced capacity to increase investment volume and to take more risks through increased capital.
To implement **IFC 3.0**, IFC created a **new toolbox**

- **CPSDs**
  - Country Private Sector Diagnostics that result in Coordinated WBG interventions to remove constraints, bring in private sector solutions & investors, create markets, and realize the opportunities

- **Incentives**
  - Creating Markets awards
  - Other incentives including staff exchange, training and recognition

- **Industry Deep Dives**
  - Power, Digital, Agri, SMEs and Health delivered, Water and Microfinance underway
  - Capital Markets diagnostics under JCAP – an initiative to support the coordinated development of local capital markets, performed in 5 countries

- **AIMM**
  - EX- Ante assessment of development impact of projects
  - All new projects already subject to Qualitative assessment
  - Scoring of projects with numerical ratings started January 1st

- **New Board Paper template**
  - Better articulation of strategic context (country, sector), additionality and development impact
  - Use of new additionality framework - evidence based additionality tests and better articulation of IFC value added

- **PSW**
  - $2bn for risk mitigation, blended finance, local currency facilities launched in July 2017
  - Focused on LIC-IDA and FCS

- **MCPP**
  - New mobilization vehicles with institutional investors
  - $7bn committed by insurance companies and other investors for co investments with IFC under MCPP

- **Creating Markets Advisory Window**
  - A $350mn advisory and technical assistance facility funded out of net income designations
  - Launched 28 projects
  - 50% of total funds allocated to date are for Sub-Saharan Africa
With the Capital Package, IFC set great ambitions for its delivery

**By 2030...**

- **40%** share of commitments in IDA countries
  *(IDA List as of July 1st 2016 – IDA 17) and FCS Economies*

- **15-20%** share of commitments in LIC-IDA and IDA-FCS countries
  *(IDA List as of July 1st 2016 – IDA 17)*

- **35%** share of climate investments

  Over FY19-30

- **$0.7b** in efficiency measures

**By 2030...**

- **$10%** of annual commitments to FIs specifically targeting women

- **50%** share of women directors IFC nominates to Boards of companies where IFC has a board seat

  *Up from 26% currently*

- **4x** the amount of annual financing dedicated to women and women-led SMEs
Thank You
Annex - List of Countries included in IDA/FCS targets