



# IFC STRATEGY AND CAPITAL INCREASE



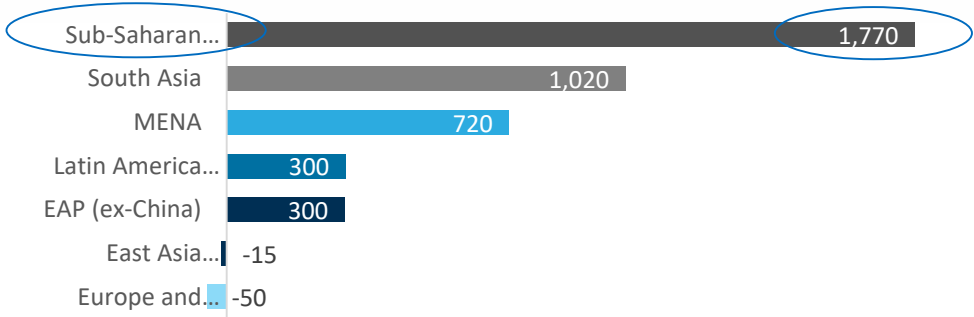
*Creating Markets, Creating Opportunities*

June 26, 2018

# Global Context: Meeting Development Goals Requires Increased Financing and Managing Global Risks in a Changing Landscape

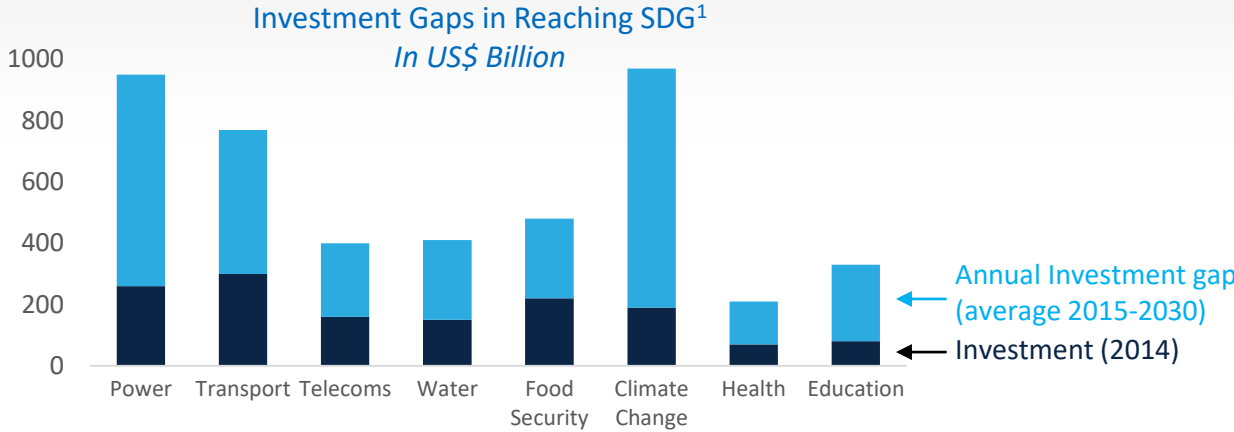
More than 3 million new jobs are needed every month in Africa, MENA and South Asia...

Increase in working age population per month  
Over the next 15 years, thousands



Source: World Bank and United Nations Population Division's World Population Prospects

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



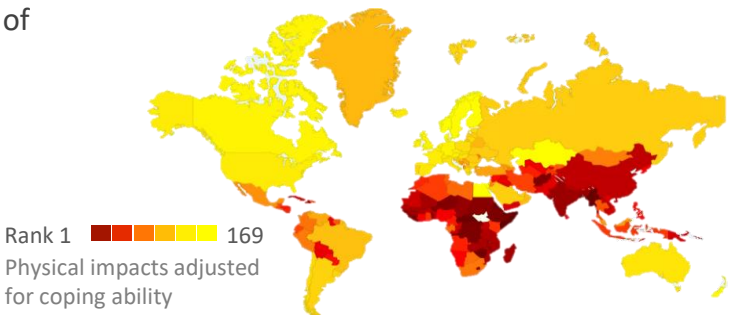
Source: World Bank Group. 2017. Global Economic Prospects, January 2017

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

MIC and Mitigation

- UMIC emitted 45% of global CO<sub>2</sub> in 2014
- LMIC emitted 12%

Adaptation - Vulnerability to climate change



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

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.

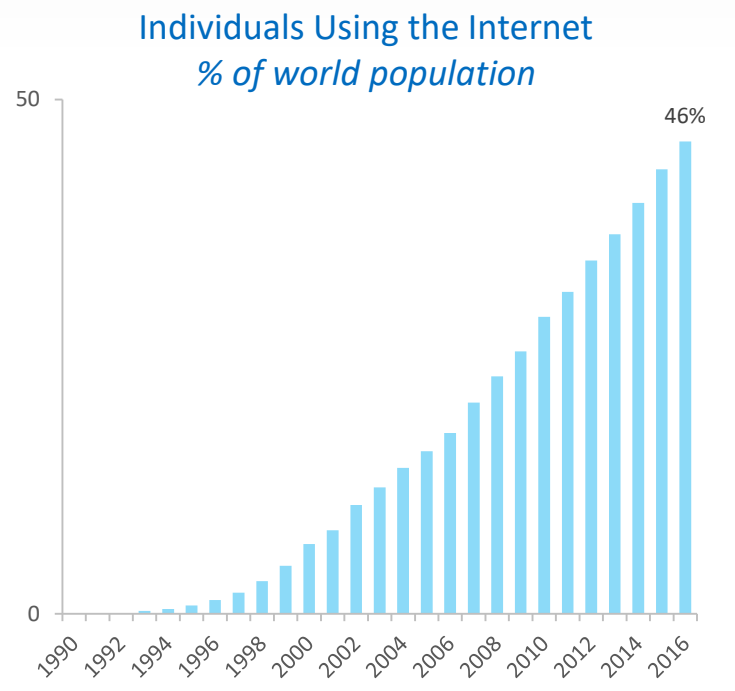


Fragility threatens to slow – or reverse – recent gains in poverty reduction. If current trends persist, by 2030, more than half of the world's poor will live in countries affected by high levels of violence.

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

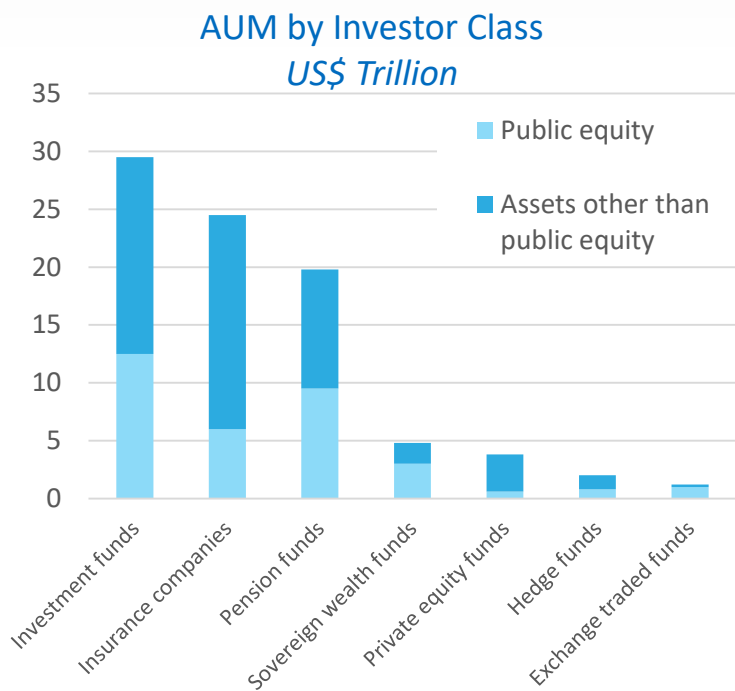
## Disruptive Technology



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

Source: International Telecommunication Union

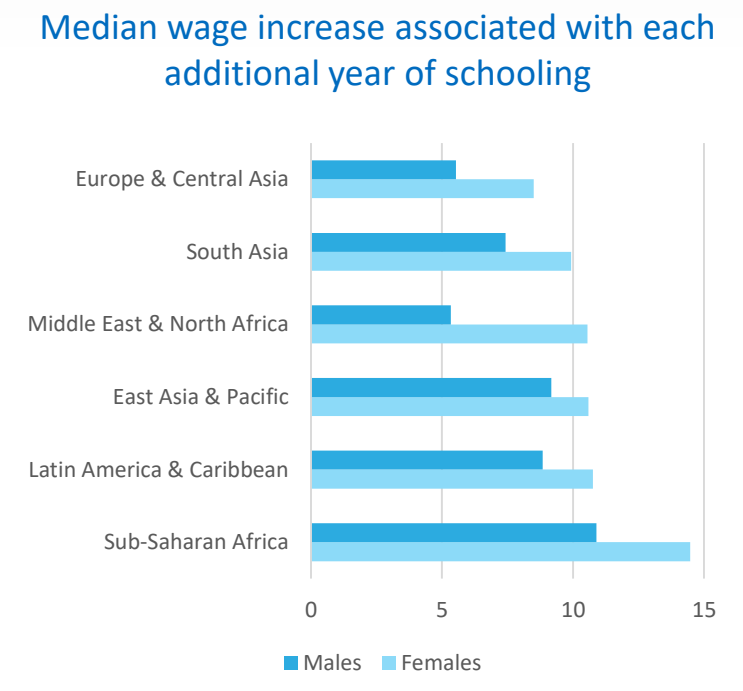
## Private Sector Capital



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

Source: 2015 OECD Institutional Investment report

## Human Capital

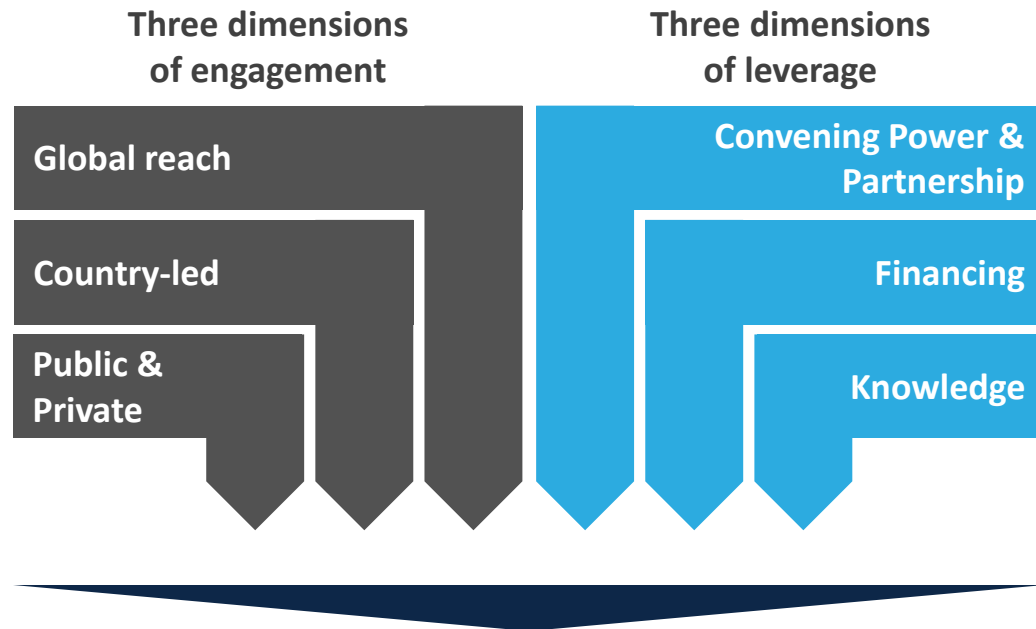


Two-thirds of global wealth is human capital. Developing new models for investing in human capital through innovation, skills and education is imperative

Source: World Development Report 2018

# The WBG is Uniquely Positioned to Support SDGs which requires Maximizing Finance for Development

The WBG business model ...



... maximizes development impact, and ...

... is uniquely positioned to mobilize domestic resources, attract private capital, and create markets.

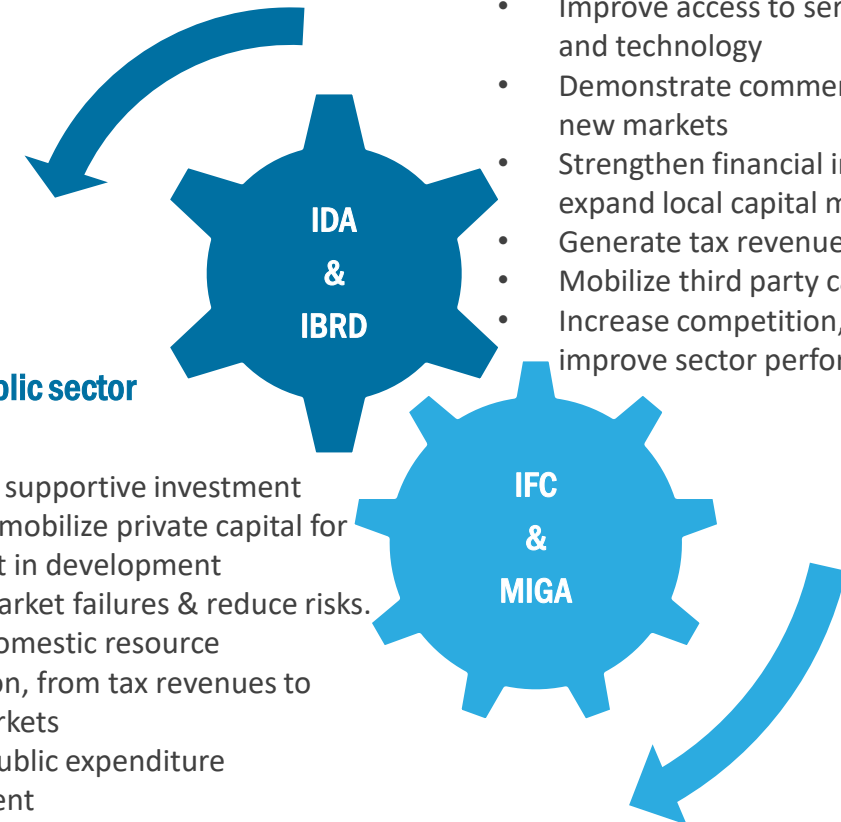
*Both private and public sector arms play an equally important role*

**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

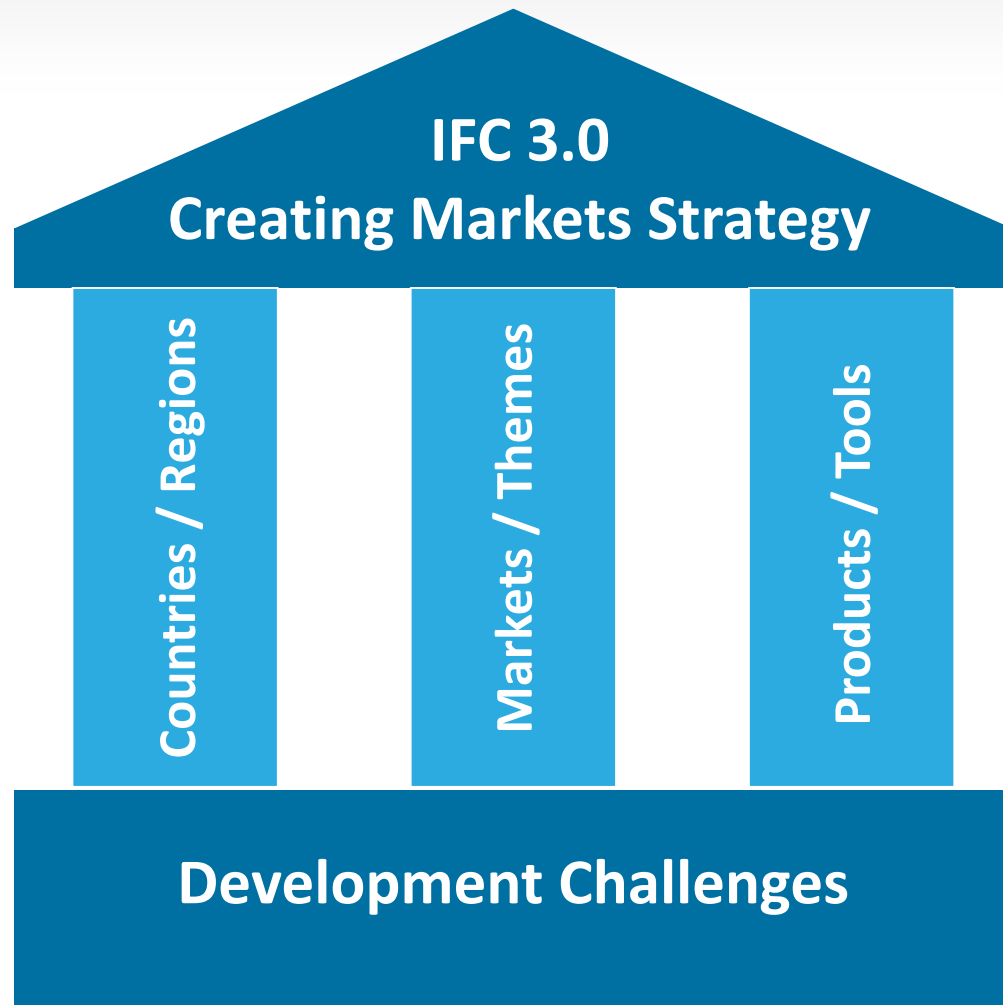
- Scale-up mobilization of private sector financing and solutions to address development challenges across the income spectrum
- Increase share of equity investments in IFC's total annual commitments
- Support development of local capital markets
- Mutually leverage WBG entities' delivery channels to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



### 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.

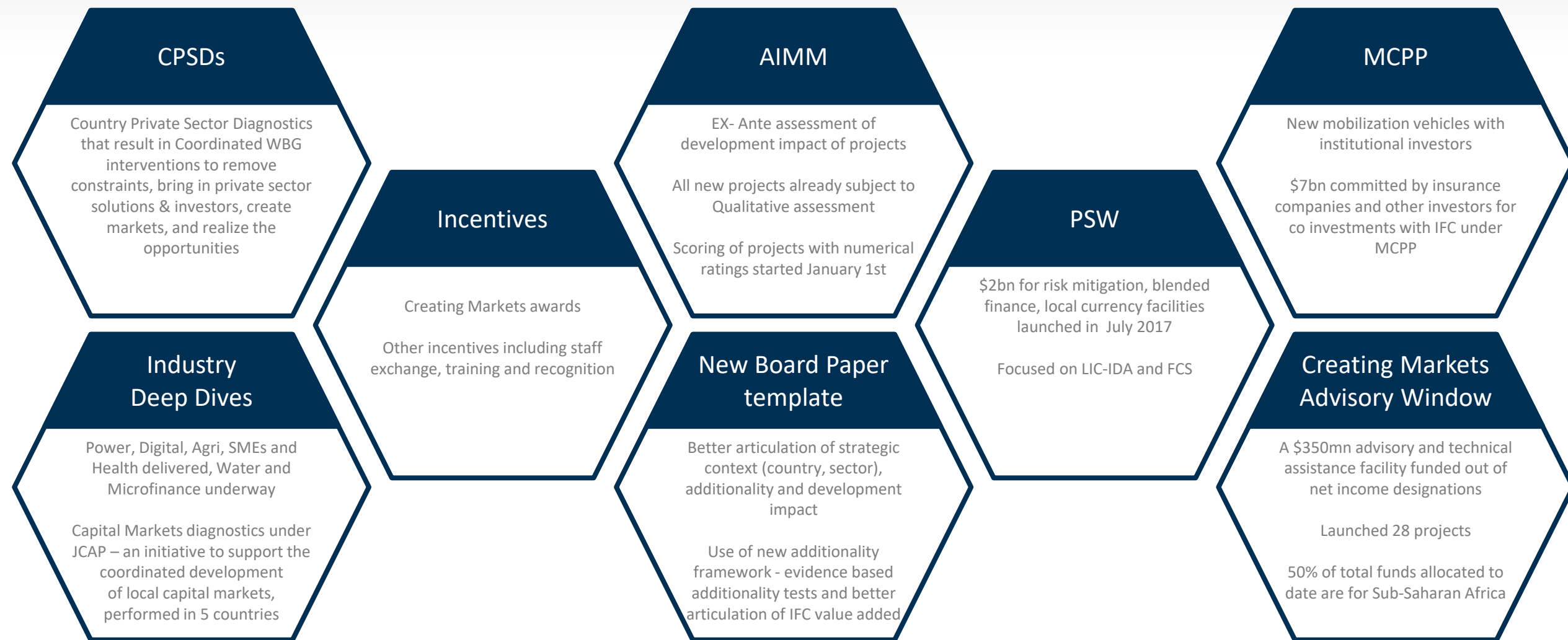
### How to do it? – IFC 3.0 Strategy

- 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



# 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 1<sup>st</sup> 2016 – IDA 17) and FCS Economies

# 15-20%

share of commitments in LIC-IDA and IDA-FCS countries  
(IDA List as of July 1<sup>st</sup> 2016 – IDA 17)

By 2030...

# 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

