

INTERNATIONAL FINANCE CORPORATION

# STRATEGY AND BUSINESS OUTLOOK UPDATE FY19 – FY21

IMPLEMENTING IFC 3.0

*Version redacted and disclosed in accordance with IFC's 2012 Access to Information Policy, following discussion by IFC's Board on April 12, 2018*

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## GLOSSARY

AIIM	- Anticipated Impact Measurement and Monitoring Framework
AMC	- IFC Asset Management Company
CMAW	- Creating Markets Advisory Window
CODE	- Committee on Development Effectiveness
CODB	- Cost of Doing Business
COMPASS	- Creating Markets Priority Setting Session
CPF	- Country Partnership Framework
CPSD	- Country Private Sector Diagnostic
DOTS	- Development Outcome Tracking System
DSC	- Deployable Strategic Capital
EAP	- East Asia and the Pacific Region
ECA	- Europe and Central Asia Region
ESG	- Environment, Social and Corporate Governance
FCS	- Fragile and Conflict Situations
GCBF	- Green Cornerstone Bond Fund
GP	- Global Practice
IBRD	- International Bank for Reconstruction and Development
ICT	- Information and Communication Technology
IDA	- International Development Association
IDG	- IFC Development Goal
IEG	- Independent Evaluation Group
IPP	- Independent Power Producer
J-CAP	- Joint IFC-WB Capital Markets Initiative
LAC	- Latin America and the Caribbean Region
LTF	- Long-Term Finance
MCPP	- Managed Co-Lending Portfolio Program
MDB	- Multilateral Development Bank
MENA	- Middle East and North Africa Region
MFD	- Maximizing Finance for Development
MIGA	- Multilateral Investment Guarantee Agency
MSME	- Micro, Small and Medium Enterprise
MIC	- Middle-income Country
PSW	- IDA 18 Private Sector Window
PPP	- Public Private Partnership
RVP	- Regional Vice President
SBO	- Strategy and Business Outlook
SCD	- Systematic Country Diagnostic
SDG	- Sustainable Development Goal
SME	- Small and Medium Enterprise
SOE	- State-Owned Enterprise
SSA	- Shared Service Agreement
STF	- Short-Term Finance
WBG	- World Bank Group

## **WBG PREAMBLE: BACKGROUND ON STRATEGY PROCESS**

1. The Forward Look, endorsed by shareholders in 2016, crystallized a shared vision for how the World Bank Group (WBG) can help its clients achieve the Twin Goals (ending poverty and boosting shared prosperity) and the 2030 Development Agenda. It describes how the WBG will deliver sustainable and inclusive growth, invest in human capital, and strengthen resilience through four pillars: providing services to all clients; scaling up mobilization, while expanding the use of private sector solutions; taking stronger leadership on global issues; and building a more efficient and effective business model.
2. The annual strategy cycle, the “W” process, allowed Senior Management to take stock of progress, and renew its approach to this ambitious agenda. This year, the meetings took into account the dialogue with shareholders on strengthening IBRD and IFC’s capital base to meet the ambitions of the Forward Look. The meetings focused on WBG strategic objectives that require and benefit from increased collaboration, such as Maximizing Finance for Development (MFD), leading on global issues, and on efforts to increase efficiency, productivity, and financial performance. The directions emerging from the W Process then helped shape each institution’s strategy and budget documents.
3. The WBG, as highlighted in the strategy documents, has achieved significant progress in the implementation of the Forward Look. This includes the IDA scale up and strengthened engagement in small states and countries affected by fragility, conflict, and violence (FCV); the launch of the Cascade/MFD approach, which is fostering greater partnership across the IFC and Bank; expanded efforts across the WBG on the climate and gender agendas; and internal reforms to make each institution more agile and cost-effective.
4. In addition, each institution has outlined in their strategy documents common as well as institution-specific directions, and a proposed work program and budget trajectory to achieve those. The key joint WBG priority over the coming years will be to mainstream the Cascade/MFD into operational work, including expanding its scope beyond infrastructure to the Small and Medium Enterprise (SME), Finance, Human Development and other sectors. In addition, the WBG is committed to enhancing synergies that strengthen its global leadership and impact in a range of areas, notably in climate change, gender, jobs, knowledge, and pandemics. In implementing its individual strategy, each WBG institution is also committed to promoting greater cost-effectiveness and efficiency.
5. A better and stronger WBG requires adequate capacity for all its institutions to respond to the rising demand for services, respond to changes in the external environment, and meet the ambitions of the Forward Look. While internal reforms and cost savings have strengthened their respective financial positions, IBRD capital is not sufficient to respond to demand in IBRD countries, especially those with lower incomes, and IFC capital is not sufficient to meaningfully deliver its IFC 3.0 strategy, especially in Fragile and Conflict Situations (FCS) and IDA countries. Because the magnitude, timing, and policy commitments associated with any changes to the IBRD and IFC capital position are still being decided<sup>1</sup>, the planning and budget scenarios set out in these documents assume no change in the capital position of either organization. This will leave flexibility to resource new activities in the appropriate amounts and at the appropriate time.

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<sup>1</sup> As of the Meeting of the Committee of the Whole on April 12, 2018

## A Progress Report: How the Forward Look is Reflected in This Document

6. As agreed with the Committee on Development Effectiveness (CODE) and the Budget Committee, IFC will produce a Strategy and Business Outlook (SBO) every three years and SBO Updates in intervening years. The FY18-20 SBO outlined that the initial phase of the long-term strategy would be focused on implementing IFC 3.0 through new approaches, an expanded toolkit, strengthened capabilities, and increased efficiency. This year's paper will be the first *SBO Update*, providing a progress report on the FY18-20 SBO. The Update will also include a preview of the FY19 budget.

7. This SBO Update is also well aligned with the Forward Look themes.

8. As part of its mission to serve all clients, IFC will execute its strategy by, *inter alia*, addressing constraints to private sector investment in fragile and low-income countries and directing more financing to these geographies. As discussed in Chapter 1, the new tools being deployed under IFC 3.0, such as the Creating Markets Advisory Window (CMAW), are allowing IFC to support upstream market creation in FCS, IDA countries, and small states. For example, CMAW funding is being deployed to support socioeconomic development in the northeast corridor of Haiti, with a focus on increasing access to affordable housing, clean electricity, and boosting the local agricultural value around industrial parks.

9. IFC will also maintain a robust presence in Middle-income Countries (MICs), which will continue to account for the majority of IFC's program. IFC plays an important role in MICs—by helping to address challenges such as infrastructure needs, urbanization, and climate change, and by supporting innovative, replicable business models. For example, IFC's blended-finance investments in South Africa supported the first concentrated solar projects in the developing world, and served as a model for others. IFC also helped to catalyze commercial sustainable energy financing in Turkey, and advances in the Mexican wind and the solar photovoltaic sector in Thailand.

10. IFC's global thought leadership has been gained from its operational experience, and leadership of private sector development among Multilateral Development Banks (MDBs). IFC continues to take an active leadership role in developing harmonized MDB definitions for mobilization and additionality, forging consistent standards for blended finance, and providing a perspective on key issues such as de-risking and other challenges in the emerging market financial sector<sup>2</sup>, boosting employee productivity and women's participation in the labor force through employer-supported childcare<sup>3</sup>, and implications of blockchain in emerging markets.<sup>4</sup>

11. Finally, this document focuses considerable attention on improving IFC's business model by describing the progress made on the reform agenda required to implement IFC 3.0. This includes employing new risk-mitigation measures and establishing changes to better deploy advisory services. Chapter 3 is a preview of the Budget Paper, and describes administrative reforms being implemented to increase efficiency and manage resources more prudently.

12. As was the case in last year's SBO, this paper is based on IFC's current capital position. However, IFC 3.0 cannot be meaningfully delivered without a capital increase. IFC's objectives will become more difficult as it increasingly works in more challenging environments, where the cost of doing business is higher and the associated return on capital is lower.

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<sup>2</sup> IFC, 2017. *De-Risking and Other Challenges in the Emerging Market Financial Sector: Findings from IFC's Survey of Correspondent Banking*.

<sup>3</sup> IFC, 2017. *Tackling Childcare: The Business Case for Employer-Supported Childcare*.

<sup>4</sup> IFC, 2017. *Blockchain: Opportunities for Private Enterprises in Emerging Markets*.

## EXECUTIVE SUMMARY

1. **For more than six decades, IFC has built a successful track record as a bridge between private investment and development.** Today, IFC is starting to implement its 3.0 strategy, an ambitious new approach that focuses on creating new and stronger markets, particularly in countries that have benefited least from private investment. This document describes how IFC is transforming its business in accordance with this vision.

2. **With IFC 3.0, IFC is taking a deliberate, systematic approach to market creation. Implementation of the IFC 3.0 strategy is underway and is yielding initial results.**

- ✓ The IDA 18 Private Sector Window (PSW) has committed its first transaction, and received Board approval on two others<sup>5</sup>.
- ✓ Fundraising closed on IFC's latest mobilization platform, the Green Cornerstone Bond Fund (GCBF), a pivotal instrument for developing the green bond market in emerging economies.
- ✓ Through a series of Creating Markets Priority Setting Sessions (COMPASS), IFC investment and advisory staff, as well as WBG Global Practices (GPs), worked together to agree on a working list of potential upstream opportunities in FCS and IDA countries. Work is underway to prioritize this list. Accountability is being assigned and resources are being committed to develop these opportunities.
- ✓ Initial assessments of a sample of IFC's portfolio using the Anticipated Impact Measurement and Monitoring (AIMM) framework have identified a percentage of projects with a high likelihood of delivering market creation. IFC is in the process of scoring the rest of the portfolio to validate these results and create a baseline to measure future progress.

3. These achievements have been enabled by the deployment of new tools, approaches and frameworks, which are supporting fundamental improvements in how IFC analyzes and prioritizes opportunities, mitigates project risks, assesses impact and additionality, works upstream to support market development, and engages across the WBG.

4. Market creation and upstream project development require coordinated engagement by both investment and advisory teams. **Advisory Services is being transformed to support IFC 3.0**, through the introduction of new models designed to support upstream engagement, and through strengthened efforts to deploy advisory services alongside investment and policy activities for market creation.

5. **The 3.0 strategy empowers IFC to play a more proactive, strategic role alongside the Bank and MIGA to Maximize Finance for Development** by helping to establish the enabling conditions to facilitate private activity and mobilizing private resources for development solutions. MFD and the Cascade approach are expanding the number of transformative joint initiatives that produce results at scale. Examples span from renewable energy in India and Egypt to horticulture in Afghanistan. MFD is also being expanded to new sectors, including health, education, disruptive technology, climate, SMEs, capital and financial markets, and agribusiness. A culture of effective collaboration is being established, supported by Presidential Awards, guidance notes, and training and recognition of pioneering efforts.

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<sup>5</sup> As of the date of circulation of the SBO Update to the Board (March 16, 2018).

6. **Delivery of the business plan in IFC's focus regions, industries, and thematic priorities was largely on track in FY17—with overall commitments exceeding expectations. For the coming three years, IFC's investment program has been adjusted downward versus the FY18-20 SBO to reflect the vulnerability of IFC's program to the performance of its debt and equity portfolios.** Assuming a favorable equity return scenario, IFC anticipates own-account, long-term finance (LTF) commitments to reach between \$12.6 billion and \$14 billion, and total commitments (own-account plus mobilization) to reach between \$19.2 billion and \$21.8 billion by FY21. However, should equity returns fall, overall program commitments, the share of equity in IFC's product mix, and/or the level of activity in riskier markets would need to be lower to enable IFC to remain above its Board-approved minimum deployable strategic capital (DSC) level. A capital injection will reduce IFC's sensitivity to short-term market swings and provide IFC with a critical buffer to expand its commitments in line with 3.0.
7. **IFC's ambitious plans under IFC 3.0 will be resource-intensive because program delivery costs in its strategic priority areas are higher than the IFC average.** Maintaining strict fiscal discipline and a focus on efficiencies is a cornerstone of IFC's business. **Over the SBO forecast period, IFC plans to use internal efficiencies to limit the impact of the higher cost profile of 3.0 on the administrative budget. As such the proposed budget trajectory remains at 3 percent nominal increase per annum.**
8. **IFC's program projections and budget trajectory are based on IFC's current capital position.** IFC will require flexibility to scale up resources in an appropriate manner when the timing, size, and policy conditions of any capital package are decided.
9. **IFC is delivering on its commitment to redesign, extend, and strengthen nearly every aspect of its business model** to create an institution fit for the purpose of meeting the goals of the 2030 Agenda. Although this paper is based on IFC's current capital position, the full realization of IFC's strategy requires a stronger capital base to take additional risk and scale up impact to levels commensurate with the growing needs of developing countries.

# CHAPTER 1: TRANSFORMING HOW IFC DOES BUSINESS

## IFC 3.0: A More Deliberate, Systematic Approach to Creating Markets

1.1 IFC has a proven track record of market creation and leadership in mobilizing private capital. For more than 60 years, IFC has worked with the private sector to drive development. In the 1980s, IFC created emerging market bonds as an asset class. In the 1990s, IFC helped create private markets in the former Soviet Union. More recently, IFC has helped develop green bonds and strengthened markets for competitive power and mobile telecommunications. WBG collaboration was a key element of many of these efforts across sectors, such as roads in Colombia; power in Pakistan, Egypt and Uganda; and healthcare in Turkey.

1.2 The aim of IFC 3.0 is to implement a more deliberate and systematic approach to market development—especially in FCS and IDA countries—and to tap into new sources of funds to support private sector solutions. Within the umbrella of MFD, IFC is focused on identifying solutions to the key risks, market failures, and obstacles that prevent the private sector from taking on a greater role in addressing development challenges. This requires a proactive strategy that coordinates with those of IDA, IBRD and MIGA.

1.3 IFC is implementing IFC 3.0. It is applying new market-creation mechanisms and leveraging a new organizational structure with strengthened leadership at the regional level where market creation and WBG collaboration are most tangible. It is mainstreaming its approach to upstream, strengthening advisory services, and maintaining momentum on WBG collaboration. It is also scaling mobilization. The full power of IFC 3.0—from sector reform, to support for making transactions bankable, through investments and mobilization—is also starting to be demonstrated in programs and transactions.

### BOX 1: CREATING MARKETS IN ACTION

*Nubian Suns, Egypt.* Five years ago, the renewable energy market in Egypt was dormant, and combined energy subsidies consumed about 8 percent of gross domestic product (GDP) (approximately \$21 billion). The World Bank supported Egypt with subsidy reform as well as the design of a Feed-in Tariff program which led to renewable energy becoming a more viable investment. In October 2017, IFC closed financing on Nubian Suns, near Aswan, Egypt. When fully operational in 2019, it will be the world's largest solar plant with a combined capacity of 1.65 gigawatts (GW). IFC developed a platform that allowed a simultaneous financial close on 13 renewable energy projects. IFC's own investment catalyzed over \$450 million from others, creating a financial package totaling \$653 million. Overall, the project will support Egypt's economic growth and create more than 4,000 permanent jobs. It will also avoid over two million metric tons of CO<sub>2</sub> emissions per year.

*RenovAr, Argentina.* In 2017, Argentina set an ambitious goal—20 percent of the country's electricity must come from renewable energy by 2025. Private sector financing would be essential. The government reached out to the WBG for assistance in creating a new market for private investment in renewable energy. The Bank provided \$480 million in guarantees to help de-risk the project, while IFC helped organize a renewable-energy auction, attracting international bidders. The very first auction, which aimed to attract 1,000 GW worth of new projects, attracted six times that amount—a signal of confidence from local and international investors. Auctions are expected to usher in \$3.5 billion in financing in coming years.

*Joint Capital Markets Program (J-CAP).* The Bank and IFC formally launched J-CAP in June 2017. The program promotes local capital markets development through a coordinated and more systematic approach. J-CAP leverages the collective expertise of WBG institutions to accelerate capital markets development wherever it is needed most, beginning with a focus on Bangladesh, Kenya, Morocco, Peru, Vietnam, and the countries of the West African Economic and Monetary Union. The first joint WBG capital markets diagnostic mission to Bangladesh took place in December 2017, funded by the Creating Markets Advisory Window.

## Putting IFC's New Toolbox to Work

1.4 With its new toolbox, IFC has a wide range of levers to transform the way it does business. Annex 3 provides a progress update on the IFC 3.0 tools, frameworks, platforms, and instruments that were discussed in the FY18-20 SBO. The following paragraphs discuss how the diagnostic tools, the PSW and CMAW are being deployed to identify and develop market creation opportunities. IFC's efforts to "Mainstream the Approach to Upstream" and strengthen advisory services are then described to show how the components of 3.0 are being brought to life. Strengthening collaboration with the WBG and further progress on mobilizing private sector capital will also be described later in this chapter. Finally, the new AIMM system and updated Additionality framework will be addressed in Chapter 2.

1.5 *New Diagnostic Tools.* To create markets at scale requires a detailed understanding of constraints—and a deliberate, strategic targeting of interventions across the WBG. Two Country Private Sector Diagnostics (CPSDs) were completed for Ghana and Kazakhstan as pilots, and IFC is on track to complete CPSDs for over 40 countries, the majority of which are IDA countries, by the end of FY20.

1.6 The Ghana CPSD, which was completed during the current Country Partnership Framework (CPF) implementation cycle, identified agribusiness as one of the most promising sectors for creating commercially viable markets. It showed that limited access to land and water, the high cost of pioneering investments, and the poor regulatory environment are the key constraints to unlocking this potential. Based on these findings, the *Invest Ghana: Agribusiness Competitiveness Advisory Project* was launched. It is a \$2.5 million joint IFC-IBRD advisory services intervention that aims to create new markets for private investment in the agribusiness sector—by supporting entry of responsible agribusiness investors, promoting sector regulatory reform, and addressing further constraints through linkage with Bank and IFC investment projects. The targeted outcomes include six commitments by private investors, and at least two regulatory reforms enacted.

1.7 The Kazakhstan CPSD was completed as part of the preparation process of the new CPF. It detailed opportunities for private sector solutions to help diversify the oil-based economy in this Upper Middle-income Country. In particular, the CPSD identified agribusiness (livestock and grains), transport, and logistics as key sectors to take advantage of Kazakhstan's centrality to a new "Silk Road" linking Asia to Europe. The CPSD also laid the groundwork for access to dedicated government funding for WBG advisory services that follow up on the CPSD findings.

1.8 IFC is using Sector Deep Dives<sup>6</sup> as a key tool to help (a) assess the current state, growth potential, economic and development impact of each sector, (b) identify gaps and barriers to entry and key drivers that enable a successful sector transformation, and (c) develop pathways to implement IFC 3.0 with a focus on sector reform, partnering with the WBG, and deploying investment and advisory capabilities.

1.9 In addition, Sector Deep Dives allow IFC to further identify areas for future long-term business growth. These include energy storage and smart metering in the power sector; desalination, atmospheric water generation, and de-centralized supply and treatment in the water sector; climate-

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<sup>6</sup> Power, Digital Economy, Agribusiness, and SME Finance Deep Dives have been completed. Health, Capital Markets, Manufacturing, Water for Municipal and Industrial Use, and Microfinance are underway. Education and Water for Irrigation, and two additional deep dives per quarter are planned for FY19-20.

smart solutions in the agribusiness sector; and supply-chain finance through e-platforms in SME finance.

1.10 Four IFC Sector Deep Dives (Power, Digital Economy, Agribusiness and SME Finance) were delivered to the Board during the first half of FY18, with five more to be completed by end-FY18. IFC will deliver two Deep Dives per quarter during FY19.

#### BOX 2: IFC SECTOR DEEP DIVES IN ACTION

*Agribusiness:* IFC has tapped into key levers for unlocking the potential of the fruit processing and export sector in Afghanistan. Afghan farmers face several challenges, including limited presence in international markets and lack of technical expertise in harvesting, sorting, and drying their crops. As a result, farmers produce suboptimal harvests, and see lower returns on their investment. Reaffirming the approach of its agribusiness strategy, IFC is looking to support a greenfield raisin processing project to help unlock the export potential for this crop through an investment and advisory offering, in conjunction with the MIGA Guarantee Facility. This state-of-the art facility is expected to lead to a doubling of the country's raisin-processing capacity, improved quality, and a sustainable livelihood for thousands of smallholder farmers who will be integrated into the supply chain.

*Digital Economy:* IFC developed a framework based on the foundational elements successful countries have used to harness the benefits of digitization. These include skills and enabling regulation, digital connectivity, entrepreneurship, and shared government services such as digital identity and digital payments. This framework was reframed as a diagnostic tool and applied to Sub-Saharan Africa using country-level data and analysis to identify where each country stands with respect to each foundational element. A joint Bank-IFC team has now agreed with the Bank's Africa Region to launch the Digital Economy Africa (DE4A) initiative at the 2018 Spring Meetings.

1.11 *The PSW*, launched in July 2017, is a powerful risk-mitigation platform that supports scale-up of IFC/MIGA engagements in IDA-only and FCS markets, and offsets risks and other impediments to investments. IFC is currently deploying three of the PSW's four facilities.<sup>7</sup> The first PSW project has been committed, and two others received Board approval in March 2018.

1.12 The first committed project under the PSW, *Caisse Régionale de Refinancement Hypothécaire de l'UEMOA* (CRRH), is helping to develop the mortgage market in West Africa. IFC is working to apply the CRRH model to other housing finance projects and to education in global markets.

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<sup>7</sup> These are (i) \$400 million Local Currency Facility which will provide long-term local currency investments through IFC where capital markets are not developed and market solutions are not sufficiently available; (ii) \$1 billion Risk Mitigation Facility which will provide project-based guarantees without sovereign indemnity to crowd-in private investment in large infrastructure projects and public private partnerships supported by IFC; and (iii) \$600 million Blended Finance Facility, which will blend IDA PSW support with pioneering IFC investments across sectors with high development impact, including small and medium enterprises, agribusiness, health, education, affordable housing, infrastructure, climate mitigation and adaptation, among others. The fourth IDA PSW facility, the MIGA Guarantee Facility, is led by MIGA.

### BOX 3: CRRH - IFC'S FIRST PSW PROJECT

IFC's investment in Caisse Régionale de Refinancement Hypothécaire de l'UEMOA (CRRH) marks the first time IFC has tapped into the PSW. Through the purchase of local currency bonds issued by CRRH, the \$9 million investment aims to expand the availability of housing finance by \$500 million in eight west African countries over the next four years, while at the same time extending the yield curve in the local bond market.

Housing is a major development challenge in the countries of the West Africa Economic and Monetary Union, which face a housing shortage of 3.5 million units. Fewer than seven percent of households in the region can afford to buy their own home. The WBG has been instrumental in creating momentum for the development of the housing finance market in West Africa, using an MFD approach. IDA funding helped develop the mortgage finance space in West Africa, providing the preconditions for IFC to support CRRH and further develop the market.

The project is being implemented using the PSW's Local Currency Facility, which provided IFC with access to CFA Francs for the amount, tenor, and pricing needed for the transaction. Without the PSW, IFC would not have had adequate local currency to purchase the CRRH bonds. The use of the PSW provides IFC protection against currency fluctuations and provides the support necessary to make the project happen.

1.13 CMAW, the new funding instrument to enhance upstream project preparation and address complex challenges to creating markets, is now fully operational. IFC is deploying CMAW resources in eligible FCS and IDA countries, including small states such as Haiti, where CMAW is being used to, *inter alia*, increase access to affordable housing and clean electricity, and the Pacific Islands, where CMAW is being used to develop new models for expanding women's access to finance.

1.14 In FY18 CMAW's authorization for expenditure is \$50 million, with \$70 million projected annually for FY19-20. As of the first half of FY18, \$10.8 million was approved for projects, of which more than 50 percent will be spent in Sub-Saharan Africa. Although deployment of funding was initially delayed as the CMAW governance structure was being finalized, a corporate review and update of CMAW governance has since been completed and panel allocations have now begun. Panels are considering and funding applications on a rolling basis.

### Mainstreaming IFC's Approach to Upstream

1.15 IFC 3.0 requires the Corporation to scale its upstream support and make it an integral part of IFC's business. Upstream activity is broadly defined as all activity that lays the groundwork for the development of a particular sector or project, enabling it to attract private sector investment. IBRD and IDA play a key role in upstream engagement through country dialogue, analytical work, support for policy and regulatory reform, and support for public institutional capacity. IFC, alongside the Bank, is working to address the constraints to private investment. IFC is working with regulators, industry organizations, and firms to resolve private sector issues, prioritize potential investments, share best practices, and develop the capacity of firms, including their environmental, social and governance (ESG) standards. Within IFC, such efforts require coordinated engagement by both investment and advisory teams.

1.16 IFC is putting in place the processes to systematically incorporate upstream activities into its delivery model. In FY18, IFC launched the Creating Markets Priority Setting Sessions (COMPASS), which initially focused on FCS and IDA countries eligible for CMAW funding.

1.17 The identification of Creating Markets priorities is informed by newly available analytics. It also takes into consideration country/government priorities, and the likelihood that upstream efforts could translate into private sector activity by IFC or other actors within a two- to three-year time horizon. The COMPASS meetings brought together staff from across IFC (regions, global industries and sectors, and advisory) as well as the GPs to agree on a prioritized list of upstream, market-creation opportunities in FCS and IDA countries. The outcome of the COMPASS process were prioritization frameworks for each region that will be used to inform resource decisions. An illustrative summary of the prioritization matrix for Sub-Saharan Africa is provided.

**FIGURE 1: COMPASS MARKET CREATION OPPORTUNITIES – SUB-SAHARAN AFRICA**

Industry	Market Creation Categories (As defined in the AIMM Framework)				
	Competitiveness	Resilience	Integration	Inclusion	Sustainability
<b>Infrastructure &amp; Natural Resources</b>	Access to energy via privatization, especially renewables		Quality and availability of transport via privatization (air, land, sea)	Access to energy for underserved groups	Municipal services (water, sanitation, transportation) & services for workers in growth hubs
<b>Financial Institutions</b>	Access to finance and improved competition	Capital market development for infrastructure and corporate finance	Agri-finance to strengthen value chains and deepen commercialization	Digital financial services models that enable financial inclusion and gender finance	Cross-sector advisory support to improve ESG capacity and resilience
<b>Manufacturing, Agribusiness &amp; Services</b>	Enabling environment for new sectors; value-added manufacturing	Climate smart agriculture to improve resilience to weather shocks	Improved market access; greater productivity through value chains	Strengthen linkages between local economy and tourism. Solutions for affordable housing shortage	Cross-sector advisory support to improve ESG capacity and resilience
<b>Telecom, Media &amp; Technology (TMT), Venture Capital &amp; Funds</b>	Digital economy including connectivity, shared government platforms, digital finance and digital entrepreneurship		Facilitate cross-border data interoperability	Digital physical infrastructure to support increased access	

1.18 IFC will replicate this collaborative, cross-matrix approach to identify upstream opportunities for creating markets in MICs and for other funding sources. This evolving process and its outputs will be integrated into broader corporate processes and systems as they relate to strategic staffing, funding, and monitoring and evaluation. In addition, IFC is also working to align COMPASS with the Bank's prioritization and budgeting process. This will help to ensure that agreement on joint focus areas can support coordinated resourcing of priority areas and delivery of key projects.

## Advisory Services: Paving the Way for IFC 3.0

1.19 Advisory services constitute one of IFC's most important vehicles for market creation and supporting the private sector in challenging environments. IFC has an advisory portfolio of more than 700 projects worth over \$1.5 billion. These are strongly focused on priority areas (for example, 60 percent of IFC's advisory work is in IDA countries). IFC 3.0 requires IFC to continue strengthening the advisory services delivery and financial model. The 3.0 strategy also involves a shift in IFC's approach from separate investment and advisory engagements to one that systematically coordinates

advisory with investment and policy advice to create the upstream conditions for market creation while also building a near-term investment pipeline and improving client performance.

1.20 Since presenting its advisory strategy to the Board in March 2017, IFC has taken significant steps to implement the new strategy, including introducing new engagement models, initiating regular portfolio reviews and strengthening collaboration between advisory and industry teams.

1.21 In parallel, IFC undertook three advisory deep dives to strengthen the advisory business model. These analyses are shaping the advisory implementation plan, which is focused on: (a) aligning advisory activities with regional and sector strategy; (b) enhancing accountability and governance to improve strategic fit, quality, and results; (c) strengthening delivery by improving the organizational structure, skill sets, and innovation; and (d) financial sustainability.

1.22 *Strengthening Strategic Alignment.* Implementation of the advisory strategy is well underway. As discussed above, the newly introduced COMPASS process is facilitating a common view of specific needs and opportunities across investment and advisory operations—with a focus on upstream interventions. As the priorities are identified, new advisory engagement models are being deployed, with streamlined processing and varying time horizons to match the market needs. The new engagement models include sector-specific diagnostics and scoping, targeted client/sponsor preparation, client/sponsor development, and market creation engagements addressing complex challenges to private investment. Likewise, the introduction of new portfolio reviews led by the Regional Vice Presidents (RVPs) will help better align the advisory portfolio with the identified priorities. In addition, IFC is developing the AIMM framework for advisory projects that will be piloted in FY19.

1.23 *Improving Delivery.* The advisory delivery model has been refined to focus on cross-functional teams delivering integrated solutions with new tools. “IFC 360,” which compares a client to international best practices on management control, sales and operations planning, supply-chain management, and resource allocations has provided unique guidance tailored to the client’s needs. This was used to unlock IFC’s \$10 million investment in the Metalco project in Zambia<sup>8</sup>. With CMAW funding, the “IFC 360” tool is being rolled out in low-income IDA countries in Sub-Saharan Africa. In addition, approaches have been developed to allow IFC staff to act as “Advisor to Advisors,” supporting multiple transactions simultaneously (e.g., Colombia Roads, Ukraine Ports), and designing solutions that can be scaled and replicated (e.g., Scaling Solar, Lighting Global).

1.24 *Enhancing Accountability and Governance.* A new Accountability and Decision-Making Framework (ADM) is being developed to improve accountability and help with the strategic relevance, quality, and achievement of advisory results. The new framework will take effect July 1, 2018. The role of the results-measurement team will also become more robust across the advisory project cycle to improve focus and definition of objectives, apply the AIMM system to advisory work, and develop streamlined results frameworks and documentation requirements.

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<sup>8</sup> The Metalco project, which won an IFC Corporate Award in FY17, was the result of a three-year WBG collaboration with a metal recycling firm to achieve significant improvements in occupational health and safety, improvements in operational management and corporate governance and increased value addition to the country’s key natural resource, copper. It was aligned with broader environmental management efforts.

1.25 *Improving Financial Sustainability.* IFC is currently reviewing cost patterns and controls on expenditure categories and funding sources to find efficiencies in the advisory budget and strengthen its financial management. Harmonization of the allocation process across all sources of funds is also under review. The Private Sector Development Committee, chaired by the IFC Vice President of Economics and Private Sector Development (PSD) is playing an active role in aligning advisory resources and high-value fundraising efforts (up to \$20 million) with strategy. This committee also reviews the status of all fundraising efforts and advisory expenditures. In addition, IFC will enhance governance around fundraising efforts to ensure fit with strategy, and, to the extent possible, pursue fewer but broader Multi-Donor Trust Funds.

**BOX 4: CREATING MARKETS THROUGH ADVISORY SERVICES – AFGHANISTAN MAZAR INDEPENDENT POWER PRODUCER**

Afghanistan's Mazar Independent Power Producer (IPP) project is an example of advisory services playing a key role in fragile environments, and paving the way for private sector investment. After years of conflict and underinvestment, Afghanistan has one of the lowest rates of electricity access in the world. Mazar-e-Sharif, Afghanistan's fourth largest city, and a growing industrial hub, lacks the electrical power to support its growing population and industry. Public resources alone cannot address the challenge. However, private investors have been hesitant to invest, given the risk environment and the lack of any successful public-private partnerships (PPPs) in Afghanistan.

IFC's infrastructure investment and PPP advisory teams worked closely with the public and private sectors to develop bankable project agreements to address legal, commercial, and technical issues for this innovative transaction. Once fully implemented, the project will lead to the country's first IPP, and generate an estimated \$75 million in private investment, supplying electricity to around one million people and increasing the country's domestic power supply by 30 percent. As the first of its kind in the country, the project establishes a template for future IPPs. It also encourages greater private sector participation in Afghanistan's power sector. Mazar IPP is an example of MFD in action including through its leveraging of the Bank's Partial Risk Guarantee facility and technical support services to the Government of Afghanistan.

1.26 Looking ahead and building on these efforts, key next steps are (i) further adjusting the organizational structure for advisory activities so that it aligns with the structure for investment activities while serving IFC's greater regional focus and ensuring a robust central function for knowledge-sharing, quality control, and innovation and (ii) defining enhanced financial principles to improve financial sustainability.

## Maximizing Finance for Development / Cascade

1.27 IFC is implementing 3.0 under the umbrella of the WBG MFD approach. The latter orients the entire development community towards pursuing private sector solutions where they can help achieve development goals, and reserving scarce public finance for where it is most needed. The Cascade, which is the operating system of MFD, provides the WBG with a systematic approach to leveraging sustainable private sector solutions where possible and optimizing the use of public resources.

1.28 The WBG has made strong progress on implementing the Cascade in the pilot countries, primarily focused on infrastructure. Key upstream diagnostics such as the InfraSAPs and CPSDs are being prepared jointly, and IFC and the Bank are now partnering on developing an MFD approach and framework in sectors such as health, education and agribusiness, disruptive technology, climate, and collaborating on capital markets, SME and housing finance and debt and asset recovery.

#### BOX 5: WBG COLLABORATION TO MAXIMIZE FINANCE FOR DEVELOPMENT

*Cambodia Rice: A New Source of Exports.* Once a major rice exporter, Cambodia lost its foothold in the market after three decades of civil war, genocide and turmoil. Until 2010, the country's rice was cheaply exported to Thailand and Vietnam, where it was locally milled or exported. This was a lost opportunity for Cambodian farmers, millers, and traders to create employment and income by milling, trading and exporting rice themselves. In 2010, the government set a goal: to export 1 million metric tons by 2015. IFC and the Bank advised Cambodia on creating a business-enabling environment for agri-enterprises and smallholder farmers. IFC helped create industry standards, improve export procedures, promote private sector participation in the seed industry, and enhance efficiency of rice millers and re-processors. IFC has also made large investments in the Cambodian banking and microfinance institution sector, which in turn has invested heavily in rural enterprises and farmers. The results have been impressive: Cambodian rice export volume increased tenfold after seven years, to over half a million metric tons of milled rice per year.

*Rewa Solar: Powering India's Growth Sustainably.* India's power system is among the largest in the world. Yet per-capita electricity consumption is less than one-third of the global average. About 300 million people are not connected to the national electrical grid. The need for reliable power is expanding as India's economy grows. The Bank and IFC are helping India establish large-scale solar parks and supporting the government of India's plans to install 100 GW of solar power out of a total renewable-energy target of 175 GW by 2022. Using MFD principles, the Bank and IFC developed a multi-year, integrated approach to catalyze private investment to the solar market in the Indian state of Madhya Pradesh. The Bank provided a loan for establishing the infrastructure needed for evacuating power, and IFC's PPP team introduced best practices and provided transaction advisory to attract private capital. Rewa is the largest single-site solar power project in the country, and demonstrates the commercial viability of large-scale projects. The project resulted in a solar tariff breaching grid parity for the first time in India.

1.29 Making MFD and the Cascade work on a consistent basis requires systematic changes in WBG institutions to make collaboration the norm, and to standardize interaction rather than rely on ad hoc engagement. This starts at the leadership level. IFC's introduction of RVPs in January 2018 provides Bank and MIGA colleagues with an accountability counterpart for jointly agreeing on priorities and leveraging resources across the group. IFC Global Industry Heads will play a critical role as connective tissue between Bank GPs and IFC Regional departments. The VPU for Economics and PSD plays a critical coordinating function for IFC on MFD and is the focal point for the Joint GPs.

1.30 However, more work remains to be done if IFC wants to achieve a long-term change in mindset and behavior. One area for further focus is incentives at staff level. Recognition and awards are key to creating a positive dynamic in which individuals and teams aspire to participate. For example, the IFC rewards program will be adjusted to further incentivize the Creating Markets strategy. In addition, IFC will explore the introduction of long-term incentives linked to developmental impact measures leveraging the AIMM framework. In addition, given the typically longer timeframe for MFD and Creating Markets programs, continued motivation through appropriate department-level Key Performance Indicators and scorecards, and individual performance assessments and opportunities for career progression, will be critical.

1.31 Another area is to aim for appropriate sequencing and coordination of engagements to ensure those are properly funded for delivery. More systematic MFD results will be achieved if Systematic Country Diagnostics (SCDs) and CPFs are truly joint and informed by a private sector perspective. As IFC aspires to that state of collaboration its aim is to align with the Bank's Work Program Agreement timing wherever possible, and otherwise to put in place processes for agreement on and implementation of priorities at other stages of the planning cycle.

## Scaling Up Mobilization Efforts

1.32 IFC's mobilization platforms are a critical component of IFC's 3.0 strategy, helping to unlock vast pools of private capital for development purposes. They are also crucial to IFC's efforts to optimize its balance sheet.

1.33 The three new Managed Co-Lending Portfolio Program (MCP) facilities launched to-date—MCP HKMA, with the Hong Kong Monetary Authority; MCP Infra; and MCP FIG<sup>9</sup>—allow institutional investors to engage in emerging-markets projects that they otherwise would have deemed too risky. Further adaptations to the MCP structure under development are aimed at engaging new investors and increasing the proportion of debt projects in which third-party investors can participate.

1.34 IFC 3.0 calls for IFC to scale up equity investments, providing scarce equity capital in challenging markets. In support of this ambition, the Asset Management Company (AMC) is exploring the broadening of its fund products and partnering with IFC in originating new business, project development and investment structuring. As opportunities and deal pipelines emerge, AMC will deploy existing funds, raise follow-on funds when current funds near the end of their investment periods, and selectively raise new funds.

1.35 IFC's most recent mobilization platform is the Green Cornerstone Bond Fund (GCBF). It is the world's largest green-bond fund dedicated to emerging markets, creating a vehicle for channeling investment from global institutional investors to climate-smart bank financing in the developing world. Created in partnership with asset management company Amundi, GCBF represents a novel approach that simultaneously creates supply (through investment support), and demand (through the fund) for bond financing. Both are essential in achieving the goal of creating a new market that will accelerate and expand climate finance in the developing world. The investment support creates supply by strengthening the capacity of developing country financial institutions to issue green bonds, provide information disclosure to investors, and support the development of debt capital markets. The combination of the fund and the investment support helps to attract large institutional investors who might otherwise not participate in higher-risk markets.

## Implementation is Underway

1.36 Implementation of IFC 3.0 is underway, and a systematic approach to market creation is yielding initial results. MFD/the Cascade is being embraced by more staff and being incorporated into more sectors. Market Creation priorities are being identified and supported. The PSW is mitigating risks, mobilization platforms are bringing more private capital off of the sidelines and into emerging markets. New analytical tools are being deployed, and the insights they generate are sparking the design of new operations. This combination of actions shows that a new operational culture is emerging—one that is proactive, is working upstream to tackle the challenges of market development, and is collaborative across IFC, the WBG, and the broader development ecosystem that encompasses clients, governments and partners.

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<sup>9</sup> MCP Infra provides access to emerging markets infrastructure as an asset class. MCP FIG leverages the risk appetite of insurance companies to help commercial banks in emerging markets expand the pool of financing available for SMEs, climate change projects, women-owned businesses and other development efforts. MCP HKMA is a cross-sectoral initiative with the potential to be used for projects in more than 100 emerging market countries.

## CHAPTER 2: TRANSLATING STRATEGY INTO RESULTS

### Strengthening IFC's Development Effectiveness

2.1 Through IFC 3.0, the Corporation has raised its ambition beyond the direct outcomes and impacts of projects—such as the number of people served by power generation or SMEs reached with improved financial services. The strategy calls on IFC to seek market-level impact, and help make markets more competitive, resilient, integrated, inclusive, and sustainable. Investment and advisory projects remain the primary vehicle for making these contributions. To enable IFC to assess and articulate the full impact of an investment or advisory project—and to inform project selection and design—a new analytical framework was adopted. This framework, the AIMM system, serves to identify project and market-creation impacts *ex-ante* and *ex-post*, offering an end-to-end results monitoring system that supports the execution of IFC 3.0. The Corporation is also addressing the causes of declining development effectiveness ratings of IFC projects that have occurred over past years.

#### Measuring Development Impact

2.2 The AIMM system, which was piloted starting in July 2017, enables development impact to be assessed *ex-ante* along two dimensions—the direct and indirect outcomes of the assessed project, and the contribution the project makes to market creation<sup>10</sup>. As of February 2018, the AIMM system has helped enhance the development-impact narratives of 174 board papers. Starting on January 1, 2018, IFC also began applying numerical scores to all new investment projects. In the first two months of 2018, 57 new projects received AIMM scores.

2.3 IFC has also started to retroactively assign AIMM scores to a sample of IFC's existing portfolio of investments. This calibration exercise will enable the Board and IFC Management to establish an AIMM target (or floor) for new investment projects starting in FY19. The incorporation of AIMM scores into the decision-making process for projects will help the Board and IFC Management apply a portfolio approach to its investment strategy (see below).

2.4 Further work remains to prepare IFC to fully implement the AIMM system. Building on the first year of experience, IFC will take stock of strengths and weaknesses and identify possible modifications to enhance its effectiveness. IFC will also accelerate the development of sector frameworks (which help underpin the assessment of development impact in AIMM ratings) and pilot AIMM in advisory services starting in FY19.

2.5 Finally, the market-level ratings generated by the AIMM system will help IFC identify and catalog IFC interventions that contribute to market creation, including those efforts where WBG activities follow the Cascade. An initial analysis of a sample of IFC's portfolio using the AIMM framework identified a percentage of projects with a high likelihood of delivering market creation. IFC is currently developing a process for systematizing this effort to amass a catalog of interventions that helps substantiate and clarify the IFC 3.0 strategy.

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<sup>10</sup> This can happen through various channels such as developing frameworks that enable markets to function, setting standards, promoting competition, introducing innovation, creating demonstration effects, and building capacity.

2.6 The IFC Development Goals (IDGs), which are targets for incremental reach that IFC aims to achieve through its investments and advisory services, remain in place. So does the Development Outcome Tracking System (DOTS), which tracks the direct development outcomes of IFC's client companies. A three-year cycle (FY17-19) for IDGs started in FY17, and will be reviewed in FY18 to align methodologies and improve target setting. Ultimately, IFC intends for DOTS to be integrated into the AIMM system.

2.7 IFC is also using evaluation more strategically. It conducted six sector-level economic-impact assessments and four large impact evaluations. These analyses helped provide evidence of IFC's impact beyond the individual project and generated useful lessons that inform industry strategies. For example, an evaluation of retail projects generated empirical evidence on employment trends and the impact on suppliers from the introduction and expansion of modern formal retail formats. An evaluation of agricultural trading companies led to new information on the impact of inclusion in formal value chains on small farmers.

### Reversing the Decline in IEG Ratings

2.8 IFC's development outcome ratings have been on a downward trend, below target since CY12. This is partly due to exogenous factors, such as the six-year slump in emerging markets from 2011 to late 2016, and geopolitical shifts including the Arab Spring. It is also partly the result of poor work quality.

2.9 Following an IFC-IEG study in FY17 to identify issues for Management attention, IFC initiated action on accountability, portfolio supervision, economic analysis, impact assessment and knowledge management. The introduction of a new ADM framework in investment and advisory strengthens accountability for project quality. In addition, the AIMM system and support from a strengthened economics function will also address elements of the findings. These improvements will appear in aggregate development outcome ratings only gradually, however, because of time lags between the closure of new projects and IEG evaluations.

### Ensuring Additionality

2.10 In its dialogue with the Board, IFC's management committed to reviewing and strengthening its additionality framework to introduce more rigor and structure in how it demonstrates additionality. In March, IFC revised its framework to (a) provide more clear definitions of additionality; (b) clarify evidence required to justify additionality; and (c) ask teams to demonstrate the causal link between inputs and development impact. The updated framework is being progressively reflected in Board papers.

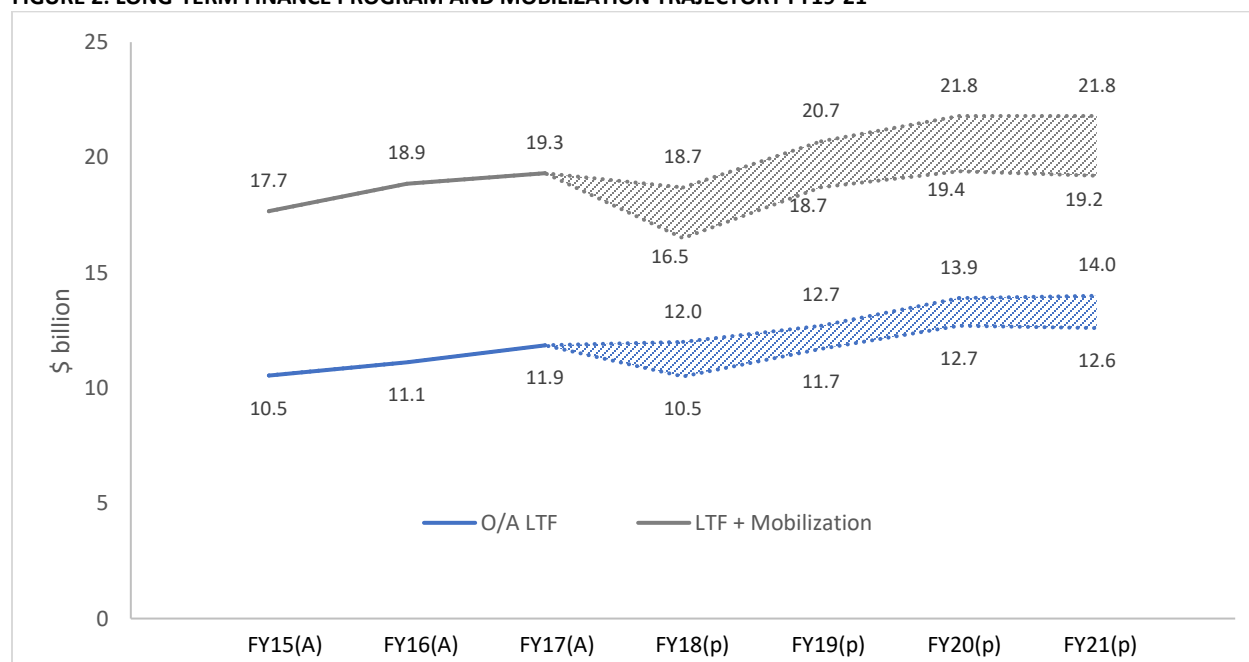
2.11 In parallel, IFC led the MDB Task Force on Additionality to harmonize its approach with other MDBs in response to a G7 request. The Task Force started with a survey of existing practices across all MDBs, and undertook a series of discussions, analyses and meetings to assess current practices, streamline, harmonize and simplify definitions and practices, agree on a common set of examples of each form of additionality, and come to a common understanding of the evidence required to support additionality claims. The Task Force will present its findings to the G7 ahead of Spring Meetings 2018.

## Investment Program

2.12 IFC's performance in FY17 exceeded expectations, with total long-term finance (LTF) commitments reaching \$19.3 billion, well above previous forecasts. IFC expects FY18 volumes to remain within the range defined in the prior SBO forecast, albeit lower than FY17 actual results.

2.13 Looking ahead, IFC has slightly adjusted the investment projections presented in the previous SBO, lowering the ranges to reflect the vulnerability of IFC's program to income returns, and in particular, the return on the equity portfolio. As discussed in the previous SBO, in recent years IFC's equity portfolio has been seriously impacted by the external market environment, resulting in lower equity returns. Although market conditions have improved, Management has chosen to factor recent equity market volatility into the program projections. This recognizes that lower equity returns would put increased pressure on the amount of investment that IFC could commit and still maintain financial sustainability—i.e. a DSC above the Board-approved minimum level.

**FIGURE 2: LONG-TERM FINANCE PROGRAM AND MOBILIZATION TRAJECTORY FY19-21**



**TABLE 1: LONG-TERM FINANCE AND SHORT-TERM FINANCE PROGRAM PROJECTIONS**

\$ BILLION	FY15 (A)	FY16 (A)	FY17 (A)	FY18 (P)	FY19 (P)	FY20 (P)	FY21 (P)
<b>Total LTF Commitments</b>	<b>17.7</b>	<b>18.9</b>	<b>19.3</b>	<b>16.5 - 18.7</b>	<b>18.7 – 20.7</b>	<b>19.4 – 21.8</b>	<b>19.2 – 21.8</b>
<b>Own Account LTF Commitments</b>	10.5	11.1	11.9	10.5 - 12.0	11.7 – 12.7	12.7 – 13.9	12.6 – 14.0
<b>Mobilization Commitments</b>	7.1	7.7	7.5	5.9 - 6.8	6.9 - 8.0	6.7 – 7.9	6.6 – 7.8
<b>STF Average Outstanding Portfolio</b>	<b>2.8</b>	<b>2.8</b>	<b>3.2</b>	<b>2.8 - 3.2</b>	<b>2.9 - 3.3</b>	<b>3.1 - 3.5</b>	<b>3.2 - 3.7</b>

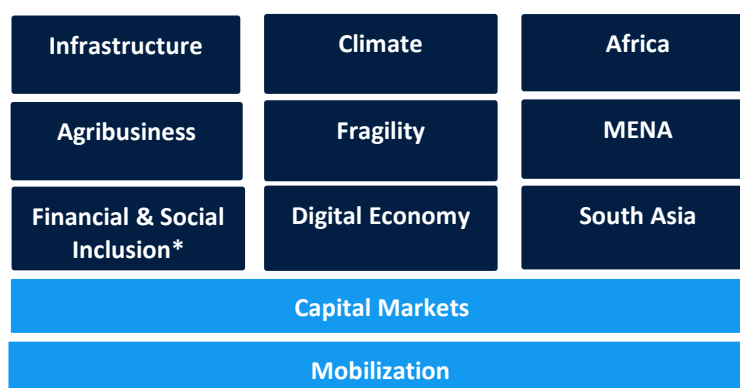
2.14 Reflecting this outlook, the FY19 program ranges for own-account LTF commitments have been narrowed to \$11.7 - \$12.7 billion, with the ranges plateauing at approximately \$12.6 - \$14 billion for FY20 and FY21. The lower end of the ranges is consistent with the prior SBO, while the upper end reflects the previous SBO midpoints. Should equity returns fall, IFC would be required to reduce overall program commitments, the share of equity in the product mix, and/or the level of activity in riskier markets to maintain financial sustainability.

2.15 Mobilization projections have also been narrowed. Any reduction in own-account volumes will also affect IFC’s ability to mobilize, since investors require IFC to show its own “skin” in the game.

## Strategic Focus Areas

2.16 IFC’s strategic focus areas remain in place and are highly relevant for market creation.

**FIGURE 3: IFC’S STRATEGIC FOCUS AREAS**



\* Financial inclusion is tracked at the industry level by IFC’s program in financial markets. Social inclusion is tracked through IFC’s program in Health, Education and Life Sciences.

2.17 Gender has been discussed in prior SBOs as an integral part of financial and social inclusion. However, it is more appropriately considered as a cross-cutting theme since the impact on women should be considered in all industries, regions and other thematic focus areas. Disruptive technologies are also similarly cross cutting, and IFC will identify opportunities to support disruptive approaches across all of the focus sectors.

2.18 The Board requested that IFC provide clarity on the stock and flow measures used in its strategy documents, preferably using one of the two consistently. In response, in this SBO Update IFC will present its indicative progress in strategic focus areas as percentages of annual commitments, compared to shares of portfolio as presented in the past two SBOs. To demonstrate consistency between the

approaches, please see Annex 2 for more information on how the commitment shares below would have translated into indicative portfolio shares.

2.19 Looking ahead, IFC expects to continue increasing commitments in its focus areas.

**TABLE 2: COMMITMENTS BY STRATEGIC FOCUS AREA**

Strategic Priority	Share of Own Account LTF	
	FY17 (A)	FY21 (P)
<b>Focus Industries* (%)</b>		
Core Infrastructure	15%	20-22%
Agribusiness, Forestry & Fertilizers	12%	11-13%
Financial and Social Inclusion	Health, Education & Life Sciences	6%
	Financial Markets	49%
<b>Focus Themes* (%)</b>		
Climate	25%	28%
FCS**	3%	6-8%
IDA**	25%	27-29%
<b>Focus Regions* (%)</b>		
South Asia***	20%	20-22%
Africa	20%	21-24%
MENA***	5%	8-10%

\*Commitment shares do not add to 100, as table excludes non-focus areas, and focus areas are not mutually exclusive. Industries contribute to thematic goals and are delivered in focus regions.

\*\*FCS and IDA shares are not mutually exclusive; FCS projections to a large extent are already reflected in IDA projections.

\*\*\*Reflects the organizational shift of Afghanistan and Pakistan from MENA to South Asia.

2.20 In focus industries, core infrastructure (excluding extractives) is continuing to increase its share of IFC's total business, driven by several factors: (a) increased support for sector-level reforms through the MFD approach; (b) the continued rollout of innovative initiatives in areas such as power transmission and distribution, storage and distributed generation, and the expansion of Scaling Solar; and (c) the ability to tap into greater pools of institutional-investor finance through the MCPP. Social inclusion (focused on the health, education & life sciences sectors) and agribusiness remain key sectors for productivity growth and job creation, especially in IDA countries and FCS. The WBG is in the process of developing guidance for the application of MFD principles to these sectors. Financial inclusion will remain a critical focus area, with financial markets continuing to account for the largest share of IFC's overall business. The decline in the share of financial markets in new commitments reflects the relative increase of the own-account shares of the other focus areas.

2.21 With respect to *focus themes*, IFC remains on track to achieve the FY20 target of 28 percent of own-account LTF commitments for climate. IFC continues to implement the WBG Climate Action Plan (2016-2020). Its focus will be on key growth areas such as: climate-smart agribusiness, green buildings, green finance, climate smart cities, and clean energy. IFC will also help create technology-enabled green markets focused on energy storage, transportation, and distributed generation. In December 2017, the WBG committed to stop financing upstream oil and gas after 2019 (other than in exceptional circumstances). The digital economy remains a thematic priority, given that technology is exponentially redefining the opportunity and risk landscape across sectors. Senior Management across the WBG is now crafting its approach to technology-enabled development. IFC will continue to focus on capital-market development both through its funding operations and through J-CAP (see box 1).

2.22 In line with the sharpened focus of IFC 3.0 on regions that have benefited least from private investment, IFC will continue its efforts to increase the share of its investments in FCS and IDA

countries, and in Sub-Saharan Africa, South Asia and the Middle East and North Africa (MENA). In particular, IFC remains on track to meet its FY20 IDA targets<sup>11</sup> —24-26 percent of own-account LTF and \$3 billion of commitments for IDA by 2020. Annex 1 provides a detailed review of how IFC 3.0 tools and approaches are being applied at the regional level.

2.23 IFC continues to implement the WBG Gender Strategy (FY16-23), which outlines how the WBG will support client countries and companies to narrow gaps between men and women. This includes a focus on expanding women’s access to more and better jobs and assets (for example, through the recently launched *Women Entrepreneurs Finance Initiative*, or We-Fi); support for creating better childcare infrastructure to enable more women to participate in paid work; analytics on the gender implications of technology disruption; the systematic inclusion of gender in SCDs, the AIMM system and CPSDs; and an action plan on gender-based violence.

## Financial Sustainability

2.24 IFC has projected its DSC until the end of FY21 based on its projected FY19-21 LTF commitment program and estimates for its projected income over the same period. IFC also conducts periodic stress tests under a range of different scenarios to model the sensitivity of the investment and treasury portfolios to different risk events. If IFC’s income were to fall short, or if a stress scenario occurs, Management would take steps to keep DSC above the Board-agreed threshold.

## Portfolio Approach

2.25 IFC’s portfolio approach aims to achieve a balance between its development mandate and financial sustainability. The strategic shift under IFC 3.0 towards FCS and IDA countries, and the desired strengthening of development impact requires active management of IFC’s sectoral, geographic and product portfolio to compensate for the expected drop in profitability. Underperformance of regional portfolios against targeted development/profitability combinations has to be balanced by over-performance in other regions; the same holds for product and sectoral portfolios and individual transactions and assets. Actively diversifying the portfolio ensures that IFC is efficiently deploying its capital and resources to support its development agenda while maintaining long-term financial sustainability.

2.26 The road map for the portfolio approach involves (i) developing a methodology for the analysis of the drivers of financial and developmental performance across regions, sectors, and FCS and IDA countries. This will then allow (ii) piloting the approach and calibrating the methodology. Once the proposed framework has been tested, calibrated, and approved by IFC Management, it will (iii) provide directions for IFC asset allocation (country, industry, asset choice tradeoffs), which combined with IFC’s strategic priorities will guide portfolio management.

2.27 To complement the AIMM scores, a projected financial profitability metric will be associated with each project with all information going into a dedicated database. Going forward, IFC will be able to aggregate project data at the portfolio, regional and sector levels to showcase the developmental/financial positioning.

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<sup>11</sup> As described in the November 2016 *IFC Net Income Designation Paper* IFC/R2016-0326/1

## CHAPTER 3: BUDGET PREVIEW

### Making the Most of IFC's Resources

3.1 Throughout its history, IFC has made the most of its resources. Careful planning and efficient execution have allowed the Corporation's business to expand more rapidly than its resources. Financial sustainability levers ensure that IFC's costs are covered by its loan and fee income. Such practices ensure that more volatile revenue sources—such as income from equity—are not relied upon to cover administrative costs and instead provide an additional healthy buffer.

3.2 In the past fifteen years, IFC has responded to the evolving needs of the private sector by decentralizing and strengthening its regional presence. The resulting global footprint has enabled IFC to grow and expand its impact, with the potential for further scale up. Over this period, advisory services also became a more substantive component of IFC's business model, bolstering the Corporation's impact in FCS and IDA countries, Sub-Saharan Africa, and other priority areas, such as climate.

3.3 In the past fifteen years, IFC's committed portfolio grew by a factor of four, while its administrative budget only grew by a factor of three as a result of strict fiscal discipline, expenditure review measures, and a continued drive for efficiencies.

### WBG Efficiency Goals

3.4 Through the expenditure review, IFC generated efficiency gains that exceeded the established targets, both internally and via WBG initiatives. IFC will continue efforts to strengthen controls over spending.

3.5 IFC will also continue to work across WBG institutions on collective efficiency goals in the areas of administration, procurement, global real estate footprint and compensation. For example, IFC plans to introduce strict per staff spending limits on non-program related activities and exploring co-location options with IBRD for greater collaboration and cost savings.

### IFC Efficiency Efforts

3.6 As IFC expands its efforts in the most challenging markets, continued efficiency gains are needed to absorb the additional costs associated with the implementation of IFC 3.0 and the Cascade.

3.7 As discussed earlier, IFC has implemented a new operational structure to focus on delivery of IFC 3.0 and improve coordination across the WBG. In addition to the new RVPs, IFC has taken several other steps to realign its organization.

3.8 The collaboration framework put forward through GPs is also being leveraged to strengthen private sector deliverables. This includes a better articulation of joint outputs through staff resources in GPs and the new Economics and PSD VPU in IFC. The collaboration between IFC and the Bank on delivering joint solutions through the GPs will be enhanced by institutional efforts to examine, clarify and recognize the comparative advantages of each institution in meeting client demand and delivering on the Cascade, and to avoid duplication of effort.

3.9 Continuous improvements to IFC efficiency and effectiveness remain a top priority for IFC management. Since the beginning of FY18, IFC has undertaken several internal benchmarking studies,

including in the areas of Facilities and Administration, Finance, and other functions. Based on the results of these assessments, IFC expects to realize significant efficiencies from internal measures, which will be redeployed for business generation over the next two to three years.

3.10 Financial policies regarding travel and the use of STCs will be tightened following recommendations of trust-fund and deep-dive reviews. While operational costs are higher in focus regions such as FCS and IDA countries, IFC aims to increase delivery efficiencies. The trust-fund reform process will align the work of trust funds with IFC's strategy, ensuring that strategic priorities drive fundraising, thereby harmonizing allocation processes so that departments have a holistic approach to funding, and increasing discipline around fundraising, reporting, and communications.

3.11 Practical process improvements and simplification measures: At the heart of IFC's efficiency, or Agile, program is an effort to change behaviors and processes to enable IFC to make better, more timely decisions. Key changes include: (a) identifying a single decision maker for investment decisions (i.e. reducing consensus behavior), (b) streamlining processes for repeat business, and (c) simplifying, abbreviating, and focusing documentation requirements on key issues. A new decision-making and accountability structure that supports these changes has been approved and the first investment process pilots are being launched this fiscal year.

## Projected Resource Deployment

3.12 IFC's ambitious plans under IFC 3.0 will be resource-intensive because origination costs in the strategic priority areas are higher than IFC's average origination costs.

3.13 Further engagement in these areas will have impact on IFC's financial sustainability and demonstrates the need for a portfolio approach to provide more sustainable financial returns from other regions and sectors.

3.14 IFC expects that nearly all focus areas will increase their relative share of resources deployed in FY19, with further growth likely through FY21.

## Workforce Planning and Incentives

3.15 To meet the ambitious goals of IFC 3.0, the Corporation must have the right people in the right roles and in the right place. Optimizing IFC's leveraging of talent will be critical to delivering on the Corporation's mandate. IFC is revamping and creating a more structured workforce planning approach to ensure long-term alignment with its strategy to enable the optimal deployment of staff across the Corporation. IFC will continue to further enhance its differentiated approach to rewarding high-performance staff for their successful contribution in high priority areas, including upstream market development in FCS and IDA countries, and WBG collaboration (see paragraph 1.30). Over time, IFC intends to rebalance its workforce composition by leveraging more junior level resources for efficient delivery and building the needed skills in priority markets. A Corporate approach to workforce planning will enable IFC to do more with less and build on the organizational realignment to promote the efficient utilization of resources.

## FY19 Budget and Trajectory

3.16 The increased cost profile of IFC's strategy requires further growth in the administrative budget. IFC's continued efficiency agenda, as described above, will ensure administrative budget

growth is controlled within the approved budget trajectory and remains well below growth in IFC's commitment volume.

3.17 Based on the CODB model introduced in the last Budget Paper, the implementation of IFC 3.0 with increased shift into focus areas, including FCS and IDA countries, could require \$60-\$80 million in new resources in FY19. Assuming a 3 percent budget increase, IFC will need to absorb any deficit through internal savings and trade-offs. To do so IFC will scale up process efficiencies through Agile and other means, strive for productivity above and beyond current levels and without compromising the quality of delivery, as well as use the latest reorganization process to deploy existing resources where they are most needed.

3.18 Although shareholders are actively engaged in capital discussions for enhancing IFC's financial capacity<sup>12</sup>, IFC's program projections and budget trajectory are based on IFC's current capital position. This conservative approach will preserve flexibility to scale up resources in an appropriate manner when the timing, size, and policy conditions of any capital package are decided.

3.19 Delivering in line with priorities outlined in IFC 3.0 implies an increase in the cost and risk of operations. IFC will commit more resources to FCS and IDA countries, and to upstream efforts to create markets. As IFC has evolved in the past, the cost of additional services it offers in support of its mandate have been managed within its loan and fee income by increasing efficiency. IFC has identified a robust agenda for the further efficiency gains required to fully implement its new strategy, including a workforce planning exercise to better deploy its most important resource. A more detailed review of resource deployment and the efficiency measures will be provided in the FY19-21 Budget Paper.

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<sup>12</sup> As of the Meeting of the Committee of the Whole on April 12, 2018

## CONCLUSION

4.1 **In December 2016, IFC adopted the IFC 3.0 strategy in response to what shareholders asked for: to use the power of the private sector to help realize the 2030 Sustainable Development Agenda** and bring greater progress to the poorest and most fragile regions. The level of ambition embodied in the Sustainable Development Goals (SDGs) and in the Paris Accords demanded a new approach to addressing the most difficult markets, and bringing private sector resources to bear at a scale commensurate with the challenge. Under the umbrella of MFD, IFC committed to reshaping its business from leveraging markets to creating markets, and to continuing to lead in mobilizing the resources of the private sector. Because of its global footprint, structuring expertise, client base, knowledge and track record raising and deploying capital in risky markets, IFC is in a unique position to lead in responding to this challenge.

4.2 **Last year IFC articulated the specific approaches, instruments, platforms and tools it will deploy to implement the strategy**, while continuing to deliver high impact operations in its traditional areas. This is the first progress update on that ambitious strategy. As described in Chapter 1, IFC has put in place the necessary toolkit and is leveraging its position in the WBG, increasing efficiency, and deploying the right products to bring systemic change to development finance. As also described, each of these tools is now reshaping the operations IFC is delivering across all clients.

4.3 **We are at an important moment.** Within the WBG, there has never been a stronger consensus that solutions can be accelerated if the private sector is leveraged rather than constrained. Externally, there has never been stronger consensus within the private sector on the importance of sustainable development and delivering the SDGs. To succeed by 2030, the time to act is now.

4.4 **Our strategy has not changed, but our confidence in our strategy has increased, as proof-of-concept for IFC 3.0 is being demonstrated.** Using these new capabilities, IFC will continue to deliver operations that each contribute to a world in which poverty is eliminated, growth is made more inclusive and sustainable and vital ecosystems are restored for future generations. The potential capital increase will determine the scale and pace of IFC's response.

## ANNEX 1: REGIONAL ANNEXES

### East Asia and the Pacific

#### Strategic Context

**Macroeconomic Update:** Growth in the East Asia and the Pacific (EAP) region strengthened marginally in 2017 to an estimated 6.4 percent, (+0.1 percent year on year), amid strengthened expansion of global activity and trade, recovery in commodity prices and benign financing conditions. In China, where growth inched up in 2017, domestic rebalancing continued, with consumption growing faster than investment, and services growing faster than industry. The modest acceleration of growth in the rest of the region was broad-based, with strong domestic demand. Regional growth is projected to decline, however, to 6.2 percent in 2018, and to 6.1 on average in 2019-20.

**Poverty and Shared Prosperity:** In 2016, EAP's population living in extreme poverty fell to an estimated 2.2 percent (45 million people) and 5.2 percent excluding China (34 million people). The share of population living in moderate poverty also fell to an estimated 10.9 percent in 2016 (221 million people), and is projected to drop further to around 8 percent by 2019. The pace of poverty reduction in the upcoming years will largely depend on successfully tackling the “last mile” through targeting greater inclusion and equal opportunity. Inequality is either high or rising in most countries.

**IFC's strategy in EAP** rests on four pillars: (a) inclusion; (b) green growth; (c) cross-border engagements; and (d) capital market development. Across these pillars, IFC aims to bring to scale innovative solutions and business models that help grow economic opportunities and spur entrepreneurship. IFC, in close collaboration with the Bank and MIGA, will continue emphasizing engagements in the region that mitigate climate change, alleviate conflict and fragility, promote private sector-led job creation and enhance opportunities for women.

#### Creating Markets

Guided by the IFC 3.0 framework and MFD principles, IFC is creating more space for the private sector to deliver solutions. Key opportunities include:

- **Sustainable infrastructure/urban development:** access to stable and affordable energy through clean power, airports and ports, water security, and affordable housing.
- **Access to finance:** strengthen domestic banking sectors by capitalization of banks and increase lending to non-bank financial institutions to support SMEs; support digital finance as a cost-effective route to financial inclusion for many unbanked and underserved consumers.
- **Health:** optimize the use of public resources through crowding in commercial financing in hospitals, pharmaceuticals, and assisted living, which includes seizing digital and connected health opportunities.
- **Employment-linked education:** expand private sector presence in tertiary and vocational education to bridge the supply-demand imbalance while improving access, efficiency and quality.
- **Green growth** focusing on green buildings, waste and water, agribusiness, and climate finance.
- **Agribusiness:** fostering stronger partnerships and supply chain linkages between smallholders and large-scale agricultural farms or corporations to develop agro-processing industries.
- **Innovation:** invest in venture capital and support innovative business models such as e-commerce platforms to catalyze entrepreneurship and accelerate access and affordability of goods and services.
- **Cross-border engagements:** bring clients to new markets (e.g. IFC's partnership with China's Three Gorges in renewable energy generation in Pakistan and IFC/MIGA supporting Singaporean Sembcorp Industries for an important power project in Sirajganj, Bangladesh).

To support implementation of IFC 3.0, a wide range of analytical tools, mobilization platforms, de-risking instruments and approaches are being developed:

**PSW:** With the Pacific particularly vulnerable to the impacts of climate change while enduring unreliable, expensive and low energy access, IFC is aiming to make sustainable energy financing more commercially viable.

**CMAW:** IFC is pursuing advisory opportunities with good potential to drive market creation in IDA and FCS countries in the region. EAP's CMAW envelope is in the process of being allocated. Following a mapping exercise, the list of approved engagements under CMAW spans areas such as scoping engagements for PPPs in Myanmar, Cambodia and Timor-Leste; improving women's access to finance in the Pacific, supply chains in Mongolia, renewable energy exports in Lao PDR; opening a new trade route in Papua New Guinea; and development of a new market sector in Cassava in Cambodia.

**MFD:** The region continues to apply MFD principles to its projects, for example: (a) in Myanmar, a coordinated WBG approach that resulted in its first internationally competitively tendered independent power project and first bankable project that can be replicated. IFC brought Singaporean Sembcorp to this FCS country, marking IFC and MIGA's first power sector investment and first joint engagement in Myanmar as well as IFC's first co-investment with the Asian Infrastructure Investment Bank; (b) in Myanmar, IDA and IFC are helping to deliver affordable and accessible telecom services, which will help unleash a new entrepreneurial ecosystem and in turn create more jobs; and (c) in the Solomon Islands, IDA and IFC are working jointly to progress the delivery of sustainable energy in the country.

**InfraSAP:** In Vietnam, the InfraSAP has identified financing needs and constraints for the electricity and natural gas sectors for 2016-2030 period. It has also outlined a roadmap for seizing opportunities in these sectors, prioritizing private sector sources of finance wherever possible.

#### Challenges and Trade-Offs

High liquidity across the major EAP markets remains a major challenge affecting EAP's competitiveness in pricing with prospective clients. EAP's substantial need for infrastructure development is likely to increase IFC's exposure in infrastructure sectors. On the manufacturing side, IFC will de-emphasize some traditional, lower value add manufacturing sectors while there will be an increased focus on the higher value add sectors and more innovative companies. Given the strong demand in the EAP markets, IFC will pursue more opportunities to promote private sector presence in services, such as education and healthcare and related services, including elderly care.

IFC will continue to expand cross-border engagements, leveraging major regional financial and knowledge hubs to promote initiatives and platforms (such as MCPP, or through AMC) and projects globally that can deliver greater development impact.

## Europe and Central Asia

### Strategic Context

**Europe and Central Asia (ECA) region is recovering after the global financial crisis and the 2015-2016 shocks.** Overall, the operating environment in ECA has improved and the region is emerging from three years of weak economic growth. GDP growth in 2017 is estimated to rise to 3.8 percent from a meager 1.7 percent growth in 2016, backed by a recovery of industrial production and exports. In 2018-20, GDP growth is projected at approximately 2.9 percent, well below what would be required to resume income convergence with more advanced economies. ECA countries need a new growth model: transition from consumption and imports to savings, investments and exports.

ECA's medium-term growth prospects are challenged by legacies of past crises and structural weaknesses: a large state footprint, high unemployment (particularly among youth), high public debt relative to GDP, weak institutions and governance, corruption, shallow capital markets, persisting underinvestment, high non-performing loans, lack of innovation, high energy intensity, low Information and Communication Technology (ICT) penetration and limited integration into regional or global value chains. An aging population, particularly in the western part of the region, is putting pressure on public finances as countries face increasing demand for social and health services. Urbanization increases the demand for public services in cities which require significant investments to make them sustainable. Limited fiscal space is motivating governments to look for private sector solutions and PPPs to meet substantial financing needs for investments in infrastructure.

Given these trends and challenges, IFC will scale up its investment and advisory services in the following priority areas:

- **Support increased competitiveness and economic diversification:** enhance business climate and trade facilitation, invest in competitive value chains, technology-based and export-oriented companies; support of re-skilling and vocational education; support State-Owned Enterprises (SOE) restructuring and privatization; resource efficiency and business climate improvement;
- **Strengthen financial sector:** improve financial infrastructure, facilitate capital market development, support non-performing loan resolution, invest in micro, small and medium enterprises (MSME) finance with a focus on rural development and women owned companies, digital finance and development of non-bank financial institutions;
- **Mitigate demographic challenges:** support sustainable cities through PPPs and direct investments (urban transport, water and waste management, district heating); invest in healthcare and capital markets development to better intermediate savings;
- **Support market and regional integration:** invest in infrastructure to improve cross-border connectivity, including roads, ports, ICT, logistics, and energy;
- **Mitigate climate change:** open markets and invest in renewable energy, energy and other resource efficiency, and green buildings.

**IFC's strategy in ECA will achieve greater impact by:**

**(a) Creating new markets:** Distressed asset resolution in the Western Balkans, Health PPP in Kyrgyz Republic, transportation infrastructure in Kazakhstan, municipal solid waste in Serbia, SOE privatization support in Ukraine, financial innovation in Georgia, Turkey, and Poland, wind power in Serbia and solar energy in Armenia; **(b) Facilitating further development of markets:** Capital market development in Poland, Turkey, Romania, sustainable cities in Turkey, Western Balkans and Ukraine, regional integration and connectivity in Central Asia, Western Balkans, and

Ukraine; (c) **Fostering systemic changes in underperforming markets:** Competitive value chains in manufacturing in Serbia, FYR Macedonia and Romania, and in agribusiness in Central Asia, energy and other resource efficiency across the region, SOE restructuring in Western Balkans and Central Asia.

### Creating Markets

Countries with a large state “footprint” such as Ukraine, Belarus, Kazakhstan, Uzbekistan, and Western Balkan countries are becoming more open to market-based solutions. IFC positions itself in these markets through supporting development of PPPs and privatization of SOEs. In Kazakhstan, IFC provided PPP advisory services, leading to successful tendering of the first PPP project in the country. In Serbia, IFC supported the city of Belgrade to structure and successfully tender an investment into a landmark waste-to-energy PPP project. In Turkey, IBRD’s Health Sector Reform support and Development Policy Lending enhanced the enabling environment, followed by IFC’s investments and mobilization to support firms, PPP projects and the first green-field healthcare PPP project bond in Turkey.

IFC has developed a programmatic approach for municipalities under the umbrella of the Sustainable Cities program, implementing the cascade approach enabled by a well-coordinated WBG program. Rolled out first in Turkey, the program is now expanding in the region aiming to maximize financing flows to urban infrastructure through sustaining constructive dialogue with central and local governments on policy and regulatory changes, followed by financing. Recent examples include the urban transport project in Antalya (Turkey), ring road project in Podgorica (Montenegro), waste-to-energy project in Belgrade (Serbia), and urban transport and solid waste and waste water projects in Kiev, Mariupol and Khmelnytsky (Ukraine).

Looking forward, IFC is leveraging the full range of its capabilities including new tools and resources to enable markets in ECA region. After completing the CPSD for Kazakhstan, IFC is currently working on the CPSD for Uzbekistan to identify markets which are ready for systemic change. Through the PSW and CMAW, IFC will focus on enabling markets in less developed countries in the region: Kosovo, in renewable energy and access to finance; Kyrgyz Republic and Tajikistan, in agribusiness, renewable energy and ICT sectors; Uzbekistan, in agribusiness, SOEs privatization and development of PPP framework for infrastructure; Moldova, in infrastructure PPPs and urban infrastructure; and Bosnia and Herzegovina, in privatization and PPPs in transport, energy and health.

### Challenges and Trade-Offs

In lower middle-income countries, IFC brings clear additionality and will continue to engage across sectors in a broad range of projects. In upper middle-income countries, representing the majority of ECA, IFC’s interventions are more targeted and will include: MSME growth, private sector participation in infrastructure, financial sector strengthening and capital markets development, inclusive business, climate change, cross-border trade and regional integration. IFC engages very selectively in EU member countries including Greece, Poland, Romania, Croatia and Bulgaria, playing a catalytic role. In FCS, IDA and IDA blend countries, IFC remains committed in uncovering opportunities to support private sector investments, using mainstream and concessional finance options, while maintaining a strong advisory presence.

## Latin America and the Caribbean

### Strategic Context

Following several years of economic contraction, regional growth rebounded to 0.9 percent in 2017, with stronger than expected growth in Brazil and Mexico. The uptick in growth was supported by steady increase in private consumption and a recent increase in commodity prices. Relative to other commodity-reliant economies, Latin America and the Caribbean (LAC) has experienced lower investment growth, notably contracting fixed investment in Brazil and Peru, for 4 consecutive years. With the current increase in consumer confidence, relatively low inflation and still supportive global financing conditions, the region has a strong foundation to maintain its current growth path albeit at a moderate rate. As such, growth is expected to gather momentum, rising to 2.0 percent in 2018 and 2.6 percent in 2019.

Fiscal sustainability has weakened in most commodity exporters in the region, particularly oil exporting countries, and government debt continues to grow. Natural disasters continue to have a heavy human and resource toll in the region, particularly in smaller economies in the Caribbean and Central America. With a significant number of countries having elections in 2018, this year is expected to bring uncertainty to the region. In a recent Latinobarometro poll, the economy (jobs/income), security and anti-corruption continue to lead as the three top concerns of the population.

Nonetheless, old challenges persist: LAC remains one of the most unequal regions in the world, with a lagging middle class and a growing vulnerable population. Unequal access to infrastructure and financial services, as well as basic health and education opportunities present further obstacles to a more inclusive growth.

More specifically, to combat the infrastructure deficit, LAC has made considerable strides in attracting private investment in infrastructure: the region has the largest stock of active PPP investments and the largest pipeline of infrastructure projects by volume globally, reflecting the central role of the private sector in the regional development agenda. As a middle-income region, LAC is proving to be a propitious environment for Market Creation initiatives.

### Creating Markets

IFC has had a particularly strong period in FY2017-18 for Creating Markets initiatives in LAC. In order to support its strategic priorities, IFC has been focusing on scaling up business in areas like climate, digital finance, and mobilizing non-traditional sources of funding, with a special focus on increasing mobilization in the infrastructure sector. The ongoing efforts have yielded several successful initiatives, which also exemplify the reach and potential of successful Creating Markets engagements.

- **RenovAr** – In an example of WBG collaboration, this project aims to improve the reliability of electricity supply and increase the share of renewable energy in the overall energy matrix. The WBG worked closely with the Government of Argentina to structure and design a new market for private investments in renewable energy. The resulting tender program, RenovAr, awarded 3.5GW of generation capacity to local and international bidders. IFC's advice and engagement helped the projects to become bankable and meet international standards. The process was designed to attract international bidders, focusing on tailoring bidding criteria and incorporating a guarantee of off-taker obligations. The Bank designed and implemented a Partial Risk Guarantee program, facilitate the financing of projects under the auction program. The program mobilized \$3.2 billion in private investments to the renewables sector. Additionally, IFC invested in two wind projects that came out of RenovAr program.

- **Sao Paulo Roads** - IFC helped the State of Sao Paulo structure and tender a competitive and transparent PPPs for four roads totaling over 1,500 km with expected private investments around \$4 billion. IFC's mandate was to attract world class investors to develop the high-quality, sustainable transport infrastructure the state needed to support its economic development. This was the first time the State of Sao Paulo made an international road-show as previously it had only focused on domestic investors. The first two roads were auctioned in early 2017, with a third road added in January of 2018. The fourth road is expected to be auctioned later this year.
- **Green Bonds** – IFC is supporting the nascent Green Bond market in Colombia with a focus on the infrastructure sector. Two committed green bond projects in the financial sector support the financing of renewable energy and green building projects in Colombia.

IFC is also deploying new platforms to support work in IDA and small states. Haiti is the only LAC country that qualifies under the PSW. CMAW, available to the seven IDA countries in LAC, has already approved a several projects in areas such as energy, finance, agribusiness, value chains, capital markets and financial services.

#### Challenges and Trade-Offs

Given the significant increase in demand for IFC PPP structuring, limited resources will inevitably lead to higher selectivity. Additionally, limited capacity in some client countries further stretches the use of IFC's resources.

Other than Haiti, all other IDA countries in LAC have only limited access to blended finance equivalent to the PSW, e.g. the Global Agriculture and Food Security Program, and the SME facility. Increased access to these de-risking tools would allow for greater consideration of projects that IFC otherwise would not be able to finance.

## Middle East and North Africa

### Strategic Context

Economic growth in Middle East and North Africa (MENA) dropped to its lowest level in 2017 since the global financial crisis, estimated at 2.2 percent from 5.1 percent in 2016, largely attributable to protracted regional conflicts, heightened geopolitical tensions, and fiscal adjustment due to persistently low oil prices. For oil exporters, oil production cuts coupled with fiscal consolidation held back growth in 2017, especially in the Gulf Cooperation Council countries. For oil importers, average growth increased in 2017, supported by strengthening domestic demand and a cyclical recovery of the global economy. The overall fiscal deficit is estimated to have narrowed in 2017 due to the implementation of much-needed fiscal reforms (focused on cuts in fuel subsidies and capital expenditure) and complemented by efforts to introduce revenue enhancing measures including fees, excise taxes, and the introduction of a Value Added Tax, most notably in Egypt and Saudi Arabia. However, high public debt-to-GDP ratios remain a concern, especially in Lebanon, Egypt, and Jordan. The external positions remain comfortable for most countries, boosted by adequate foreign currency assets as well as modest recovery in foreign investments and export competitiveness. The outlook is favorable as growth is forecast to accelerate over the medium-term. GDP growth is projected at around 3.2 percent in 2018 with oil importers experiencing the highest growth rates, while in GCC countries the drag from 2017 oil output cuts is expected to dissipate and the pace of fiscal austerity to moderate. Key risks however are tilted to the downside and include: (a) worsening of security and geopolitical tensions; and (b) slower implementation of reforms, which would undermine private investment, and macroeconomic stability.

Over the last year, while major economic reforms have been initiated in Egypt and Saudi Arabia and refugees and host communities in Jordan and Lebanon continue to show remarkable resilience, there have been a few setbacks. The conflicts in Syria and Yemen have resulted in an unprecedented humanitarian crisis, progress on Israeli-Palestinian peace process remains uncertain, and maintaining political stability (e.g. West Bank and Gaza, Tunisia) remains challenging. The increased fragility has already had severe effects on human capital (approx. 10 million children out of school), infrastructure and access to services which threaten the gains achieved in reducing poverty and shared prosperity.

IFC's holistic jobs strategy remains relevant as it seeks to promote private-sector led growth for job creation in MENA, and is aligned with WBG strategy. IFC's strategic pillars center around: (a) improving the investment climate; (b) increasing access to finance, especially for MSMEs; (c) infrastructure development (especially energy/renewables); and (d) entrepreneurship and skills development to meet labor market needs. Addressing climate change issues is cross-cutting focus area. IFC continues to focus on increasing cross-border trade and investment flows to accelerate the sharing of knowledge and capital to facilitate greater regional integration.

### Creating Markets

MENA has pioneered the MFD approach to facilitate market creation with several notable examples including the Queen Alia PPP airport, renewable energy in Jordan, and the Egypt FiT program. More recently the WBG has turned its focus to renewable energy in the West Bank & Gaza where the tight fiscal positions coupled with growing energy needs has motivated governments to engage in upstream policy reforms supported by IBRD and IFC to increase private sector activity in sectors traditionally dominated by public investments. The success of these interventions is largely attributable to a growing government commitment to implement reforms, highly collaborative engagement between IBRD and IFC teams to align a programmatic approach for sustainable results, and IFC's strong signaling effect that helped to catalyze other private sector players into new, higher risk, sectors and markets. These efforts took several years to develop and come to fruition. The implementation of IFC 3.0 and creating

markets agenda will continue to be guided by the MFD approach and focused on sectors that have had limited private sector participation and can benefit from greater efficiency and enhanced service delivery, while reducing the fiscal burden.

Key sectors that have been identified as high priority across the region include:

- water, where a systematic approach complemented by risk mitigation instruments will be essential (Egypt, Iraq, Jordan, Morocco, Tunisia);
- transport, logistics, and energy in Egypt, Jordan, Iraq, Lebanon, Morocco, and Tunisia, where MFD principles will be applied to increase private sector opportunities including through PPPs;
- skills and entrepreneurship across the region, which would require strong collaboration with the Bank to ensure upstream reforms and quality control mechanisms are in place on the skills agenda, as well as viable ecosystems for promoting entrepreneurship.

In the Maghreb, infrastructure diagnostics and CPSDs are underway to determine private sector constraints and opportunities, while identifying entry points in countries currently closed or heavily dominated by the public sector.

While good progress has been made in achieving results in cross cutting themes of climate change and gender, further scaling up is necessary by building on: (a) large solar/renewable energy and energy efficiency potential which is becoming more attractive, especially as the cost of RE declines; and (b) mainstreaming gender through the Women in Banking platform and rolling it out across the region and possibly expanding the gender focus in the entrepreneurship and education space.

Most of the existing examples of market creation required leveraging risk mitigation instruments such as blended finance to make opportunities viable. Platforms like CMAW and CPSDs will be critical to assess market opportunities, followed by systematic engagements that necessitate a higher risk appetite to respond to the challenges of reconstruction, recovery, and resilience as well as opening markets, helping to promote peace and stability in MENA. The de-risking instruments coupled with advisory support will also be essential to implement IFC's refugee response strategy which complements public sector interventions.

### Challenges and Trade-Offs

**External:** The operating environment continues to be difficult in MENA due to increased fragility on many fronts and heightened geopolitical tensions across the region. While investor confidence has improved over the last year, investors remain wary. Risks include a slowdown in implementing key reforms that would impair improvements in the business environment and continue to constrain the space for dynamic private sector activity in a region where public sectors are so dominant. This, along with a worsening of external environment, can significantly impact IFC's business development prospects and pipeline in the region.

**Internal:** As new approaches and instruments are rolled out and deepening of WBG collaboration (e.g., CMAW, blended finance, MFD) continues, appropriate incentive structures for staff and resource allocation will be important, including for MICs. Additional staff and financial resources will likely be needed to address reconstruction efforts and open new markets in the event of peace and stability in MENA.

**Tradeoffs:** There would be some balancing between the MFD program which typically takes more staff time and energy than the more traditional IFC investments; and the scale up in FCS engagements while ensuring strong financial sustainability.

## South Asia

### Strategic Context

Macroeconomic fundamentals remain strong, with GDP growth of 6.5 percent in the region driven mainly by India and Bangladesh. Growth is expected to average around 7 percent per annum over the 2018-2020 period, with private consumption remaining strong and investment buoyed by infrastructure projects and reforms.

South Asia<sup>13</sup> has made very good progress in sustaining high economic growth and reducing extreme poverty. For example, in Bangladesh, extreme poverty fell from 18.5 percent in 2010 to 13.8 percent in 2016; since 2010, 8 million people have escaped poverty. Strong growth and poverty reduction has led to important human development gains.

IFC's strategic objective is to promote inclusive, strong and sustainable private sector-led growth in the region, guided by MFD principles. IFC will focus on providing access to critical infrastructure, expanding access and inclusion, and providing sustainable solutions.

### Creating Markets

In the context of IFC 3.0, IFC's focus will be on addressing areas where there is market failure, a pioneering role for IFC, or the potential for significant impact by creating markets. IFC will also work across the WBG to leverage the MFD approach. To support IFC 3.0, IFC has also deepened its engagement analytically to help facilitate the creation of markets. In addition, IFC will deploy innovative instruments such as Blended-Finance and Risk Sharing Facilities through the PSW and CMAW that will help enable de-risking and delivery of high impact projects.

Given the substantial development challenges in the region, IFC has developed comprehensive country strategies in South Asia, rooted in the analysis of key development gaps, drivers of growth, and private sector constraints. These aim to deliver significant and scalable impact and business volume over the next several years in the region, as well as to identify key areas for market creation.

Some areas of sectoral focus for creating markets in South Asia include:

- **India:** municipal finance, affordable housing, skills development, SME and green finance, and logistics
- **Bangladesh:** Special Economic Zones, capital and corporate bond markets, green bonds, and water resources management
- **Pakistan:** energy, infrastructure finance, urban infrastructure and sub-national finance, financial inclusion (including housing finance), water
- **Afghanistan:** energy, agribusiness and financial inclusion
- **Nepal:** financial inclusion and access to finance for SMEs, promotion of foreign direct investment, especially in hydro, and development of capital markets.
- **Sri Lanka:** health, education and pensions, upgrading of infrastructure, capital markets, and capacity buildings in firms

Specific project examples of Creating Markets include:

- **Rewa Solar in India.** Using MFD principles, the Bank and IFC developed a multi-year, integrated approach to catalyze private investment to the solar market in Madhya Pradesh, India. The Bank provided a loan for establishing the infrastructure needed for evacuating power, and IFC's PPP team introduced best practices and provided transaction advisory to

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<sup>13</sup> Afghanistan and Pakistan have been remapped to the South Asia region from the MENA region.

attract private capital. Rewa is the largest single-site solar power project in the country. It demonstrates the commercial viability of large scale projects. The project resulted in a solar tariff breaching grid parity for the first time in India.

- **Affordable Housing in India.** IFC set up India's first affordable housing finance company focusing exclusively on low-income borrowers. Since then, IFC has invested in seven more companies, with plans to scale initiatives that enable affordable and green housing.
- **PaCT II (Bangladesh).** IFC launched the second phase of its climate-smart advisory project "Partnership for Cleaner Textile" (PaCT II), with an aim to achieve sustainable and competitive textile production in Bangladesh. The project aims to reduce large amounts of waste water discharge, save 3.8 million Mega-watt hours of electricity and reduce greenhouse gas emissions by over 700,000 metric tons of carbon dioxide equivalent per year.
- **Mazar IPP (Afghanistan).** IFC and IBRD teams engaged with the Government and the private sector to support the first power project in Afghanistan to be fully financed, designed, built and operated by the private sector. The success of Mazar IPP will create a framework for catalyzing future private investment in Afghanistan's power sector and will be critical for increasing domestic electricity generation and securing sustainable energy supply to the country over the long-term.
- **Local Currency Taka Bond (Bangladesh).** As part of its ongoing efforts to develop capital markets in the region, IFC is working with the Bangladeshi authorities to issue a Taka bond. This bond placement will enable IFC to diversify its currency offering in the country and provide local currency financing to companies that are not foreign exchange generators.
- **India Low Carbon Technology Roadmap.** IFC's work with six companies to explore carbon emissions reduction technologies in the Indian cement industry has identified over \$110 million of investment at pilot sites, which will result in significant cost savings and a reduction of 147,000 tons of greenhouse gas emissions per year. This model is being replicated in other factories via peer-to-peer learning.

#### Challenges and Trade-Offs

- The delivery of private sector solutions is hampered by a lack of infrastructure, informality, low productivity, limited private sector credit, weak governance, high public-sector engagement, an unconducive business environment and lack of skills.
- The social and economic fragility being experienced in the Maldives and Afghanistan, and persistent conflict in the border areas of Pakistan, present a constant challenge for growth and private sector development in these areas. These circumstances will require concerted and innovative approaches by IFC and the WBG towards opening markets.
- A focus on delivering impact and building partnerships requires sustained efforts; as such, results may likely only be realized in the medium term.

## Sub-Saharan Africa

### Strategic Context

After posting its lowest growth rate in two decades in 2016 (1.3 percent), Sub-Saharan Africa's economic growth has recovered modestly in 2017 (estimated at 2.4 percent). However, the region's growth is poised to accelerate progressively to over 3.5 percent by 2020. The recovery is driven by a rebound in its three largest economies – Angola, Nigeria, and South Africa – which have been adjusting to lower mineral commodity prices and addressing sizeable fiscal imbalances. Prospects are differentiated across the region: while economic growth is slow in resource rich countries, more integrated and diversified economies in Western and Eastern Africa are recording high growth rates. Risks are elevated across the region as global economic uncertainties and heightened fiscal and security vulnerabilities weigh down future prospects.

With high average birth rates, the total population in poverty has increased from 276 million in 1990 to 389 million in 2013 even though the percent of the total population in poverty decreased from 54 percent to 41 percent. The pace of poverty reduction is uneven across countries and the poor are more concentrated in fragile countries. While per capita consumption/income growth for the bottom 40 percent tends to be faster than average, inequalities are high, especially in Southern Africa.

Beyond poverty headcounts, Sub-Saharan Africa is confronted with other development challenges. More than 150 million individuals suffer from severe food insecurity and cities are growing at a very high rate. 2.5 million jobs per month must be created to match demographic growth while more than 50 percent of youth and 40 percent of women are not employed. The manufacturing sector accounts for less than 10 percent of the region's GDP, 650 million Africans lack access to electricity, 350 million don't have access to clean water, and broadband reaches less than 0.5 percent of population. Only about a third of the population have access to a bank account, 34 percent of children under 5 are stunted, and close to 50 percent of the adult population has no schooling. Finally, the five most environmentally vulnerable countries in the world are in Sub-Saharan Africa: Central African Republic, Chad, Democratic Republic of the Congo, Eritrea and Somalia.

IFC's strategic approach to address the region's macroeconomic development challenges has three pillars: (a) bridging the infrastructure gap; (b) building a productive real sector; and (c) leading inclusive business approaches. Four priorities cut across these areas: (a) climate change, (b) investment climate, (c) gender, and (d) partnerships. These strategic priorities provide the necessary lines of sight to create new markets while prioritizing private sector solutions across the region. Considering the market potential and readiness of each sector in each country entails pursuing value chain approaches and cross sectoral opportunities, using new products and solutions, and further leveraging internal and external stakeholders, including capital market solutions and disruptive technologies.

### Creating Markets

Through complementary scoping initiatives, creating market opportunities have been identified in the following areas: (a) smart agriculture (irrigation and livestock), (b) inclusive financial solutions (agriculture, infrastructure, housing finance and capital market development), (c) digital infrastructure/ecosystems, (d) power (access, efficiency, and renewable energy), (e) transport, (f) light manufacturing, (g) affordable housing, (h) health and education, and (i) water and sanitation. Delivering on such priorities will help build the foundations for sustainable inclusive private sector-led growth in the most challenging markets. These approaches will be accompanied, where

necessary, with dedicated solutions to promote climate smart solutions, close gender gaps, and address the drivers of fragility.

In Sub-Saharan Africa, IFC is prioritizing market creation and development in several focus country classifications: Large economies, Fragile and Low-Income States, and MICs. Parallel initiatives undertaken with the other WBG institutions, development partners, and policy makers to promote regional integration and deepen domestic capital markets will further contribute to this strategic objective. Specifically, operational teams are replicating and scaling up best practices; deepening cross-sectoral approaches, including through WBG collaboration to promote private sector reforms and upstream engagements; and using advisory services as a first mover to build capacities. Creating market initiatives at the regional level include:

**Digital Infrastructure Initiative**, a joint WBG initiative is leveraging complementary broadband connectivity interventions to build digital economies. Opportunities are being explored in Benin, the Republic of Congo, Malawi, Zambia, and the Indian Ocean.

**Sahel Irrigation Initiative**, a coordinated WBG approach that will enable the Sahel countries to break out of fragility, using IFC's advisory services and investments to stimulate business models that address technical and financial barriers to the adoption of irrigation.

**Caisse Régionale de Refinancement Hypothécaire**, a joint approach to support a regional mortgage refinancing company which will crowd in private capital in low-income housing finance. The approach will draw on complementary IFC anchor financing (including with PSW funding) and advisory services as well as IDA's broad sectoral support.

**Cameroon Power**, joint WBG actions at the sector and project level are creating consensus with the government to improve the financial health of the power sector and thus enable the development of additional hydro generation capacities.

To create and develop markets, IFC intends to leverage all available initiatives: First, CPSDs will provide the analytical underpinnings for market creation. Second to deliver on the PSW, joint WBG teams have been formed to scope and prepare potential projects and Maximize Finance for Development. Third, IFC is using CMAW to fund advisory projects aimed at building client and sector capacities.

### Challenges and Trade-Offs

The demand for IFC solutions in Sub-Saharan Africa is strong, underpinned by the need to bolster economic diversification and increase private sector participation across the region.

Governance, fiscal imbalances, and security risks hamper IFC's engagement in certain areas. In light of the region's acute development challenges, prioritizing IFC's program in the region is highly challenging. To mitigate these impediments, IFC will need to ensure resource adequacy and flexibility while pursuing upstream engagements with the WBG, strategic clients, national authorities, and development partners.

Tensions between project profitability and impact may arise from the implementation of small projects in challenging markets. There is also a tradeoff between developing traditional projects and pursuing upstream engagements that might be more resource intensive.

## ANNEX 2: CONVERTING IFC NEW COMMITMENTS INTO INDICATIVE PORTFOLIO

Beginning in the FY17-19 SBO, IFC presented its projections in strategic focus areas as an ‘indicative portfolio,’ describe in that document as ‘an aspirational vision of IFC’s ambitions.’ While the indicative portfolio provided a clear view of the gradual, portfolio-level shifts that would result through the strategic emphasis of IFC focus areas, it also resulted in a degree of avoidable confusion. Given IFC’s commitment-level (i.e. ‘flow’) targets in areas such as Climate and IDA, the presentation of portfolio-level information (i.e. ‘stock’) resulted in confusion. Because shifts in portfolio definitionally lag shifts in commitment levels, the presentation of the indicative portfolio in some instances gave the impression that IFC was not progressing in its strategic focus areas when this was not in fact the case.

IFC has therefore reverted to presenting strategic focus areas as a share of IFC annual commitments (Table 2), rather than a share of portfolio.

To demonstrate consistency between the two approaches, tables 6 and 7 below translate the FY21 new own-account LTF commitment shares into indicative portfolio shares per focus area. To this is added STF to allow for a comparison with the FY20 projections from the FY18-20 SBO. The FY21 projections also reflect actual FY17 portfolio data. The highlighted cells reflect the *ex-post* recategorization of Afghanistan and Pakistan from MENA to South Asia; for FY21 this organizational shift is already accounted for.

**TABLE 3: PORTFOLIO BY STRATEGIC FOCUS INDUSTRIES AND FOCUS THEMES**

(Percentage share of own-account LTF and STF portfolio)

	<b>FY17 (A)</b>	<b>FY20 (P)</b> <i>As presented in FY18-20 SBO</i>	<b>FY21 (P)</b> <i>Translation of SBO Update shares: commitment into indicative portfolio</i>
<b>Focus Industries</b>			
Core Infrastructure	19%	20-22%	21-22%
Agribusiness, Forestry and Fertilizers	8%	9-10%	9-10%
Health, Education and Life Sciences	5%	6-7%	6-7%
Financial Markets	41%	39-40%	40-41%
<b>Focus Themes</b>			
Climate	19%	20-22%	23-24%
FCS	5%	6-8%	6-8%
IDA	21%	22-23%	23-24%

**TABLE 4: PORTFOLIO BY STRATEGIC FOCUS REGIONS**

(Percentage share of own-account LTF and STF portfolio)

	<b>FY17 (A)</b>	<b>FY 17 (A)</b> <i>Adjusted for AfPak</i>	<b>FY20 (P)</b> <i>As presented in FY18-20 SBO</i>	<b>FY20 (P)</b> <i>FY18-20 SBO, adjusted for AfPak</i>	<b>FY21 (P)</b> <i>Translation of SBO Update shares: commitment into indicative portfolio</i>
South Asia	13%	16%	14-16%	17 - 18%	19 - 20%
Africa	15%	15%	17-19%	17-19%	20 - 21%
MENA	10%	8%	10-12%	9 - 10%	8 - 9%
<b>IFC Total</b>	<b>55.0</b>		<b>60-63</b>		<b>64-66</b>

## ANNEX 3: SELECTED EXAMPLES OF PROGRESS<sup>14</sup>

Diagnostic Tools								
CPSDs	Ghana		Kazakhstan			🎯	Complete	
	Nepal	Uzbekistan	Rwanda	Kenya	Ethiopia	Morocco	🕒	Underway
	Lebanon	Philippines	Cameroon	Myanmar	Guinea	Indonesia	🕒	Planned for Q3-Q4 FY18
	Ecuador	Mozambique	South Africa	Senegal	Angola			
	Approximately 20 further countries, majority in IDA						🕒	Planned for FY19-20
Sector Deep Dives	Power	Digital Economy		Agribusiness		SME Finance	🎯	Complete
	Health	Water for Municipal and Industrial Use				Capital Markets	🕒	Underway
			Microfinance		Manufacturing			
	Education	Water for Irrigation		An additional 2 per quarter			🕒	Planned for FY19-20
Frameworks								
AIMM	Qualitative assessments of projects						🕒	Underway
	Establish notional AIMM target (or floor) for IFC portfolio						🕒	Underway
	New investments: quantitative AIMM scores before Board						🕒	Commenced January 2018
	Staffing of Economics and PSD VPU						🕒	On track for FY18
	Pilot application of AIMM to advisory						🕒	On track for FY19
	Full implementation						🕒	On track for FY19
Platforms								
PSW	Governance, policies, documentation, and agreements in place or in final stages of approval						🎯	Complete
	3 projects Board approved, of which one committed						🎯	Complete
	Full team in place						🕒	On track for FY19
	Outreach to IFC and WBG staff						🕒	Over 40 events FY18 Q2
MCPPI	Over \$2 billion to 67 projects in 29 countries						🕒	Committed since inception
	\$1 billion FIG facility with 2 active investors						🎯	Liberty Mutual and Munich Re
	\$1.1 billion Infra facility with 2 active investors						🎯	Prudential and Allianz
	Infra facility in negotiation with 2 additional investors						🕒	Expected by end-FY18
	\$1 billion cross-sectoral facility with 1 new investor						🎯	HKMA
GCBF	Subscription to Fund closed, IFC committed \$270 million						🎯	Complete
Instruments								
CMAW	\$10.8 million approved for projects, more than half for SSA						🕒	Underway
	Corporate review of governance resulting in COMPASS approach						🎯	Complete
	Panel allocations: panels considering and funding applications on a rolling basis, CMAW priorities agreed						🕒	Underway
Operations Realignment								
COO organization established; RVPs and Global Industry Heads appointed						🎯	Complete	
Regional Directors and Regional Industry Heads recruitment						🕒	Underway	
Accountability and Decision-Making (ADM) improvements for Operations						🕒	Underway	
Investment process simplification pilots						🕒	On track for FY18	
Advisory services business model improvements						🕒	On track for FY19	

<sup>14</sup> As of the date of circulation of the SBO Update to the Board (March 16, 2018).