

IFC BOARD

LETTER FROM THE IFC BOARD

Over the last year, our shareholders asked the World Bank Group to provide exceptional support in response to the compounding crises of the COVID-19 pandemic and the war in Ukraine, in addition to its ongoing and extensive portfolio of work. This resulted in unprecedented levels of financing by the World Bank Group in fiscal 2022, including \$70.8 billion by IBRD and IDA, \$32.8 billion (including mobilization) by IFC, and \$4.9 billion in guarantees by MIGA.

By financing health operations, vaccine procurement, and other initiatives, the World Bank Group has helped developing countries and their people and businesses continue to address the impacts of the pandemic on poverty, health care, human and economic development, and well-being. The World Bank Group has also rapidly addressed the far-reaching consequences of a new crisis, the war in Ukraine. The spillover effects are many — beyond the impacts related to refugees, food security, and energy, the conflict poses uncertain and potentially lasting consequences on trade channels, foreign investment, global confidence, and financial stress. Anchored by the World Bank Group's twin goals of poverty reduction and shared prosperity, with a focus on fostering green, resilient, and inclusive development, the Board discussed and approved several important initiatives and programs to respond to these crises.

But the needs are many, and more can be done. The World Bank Group is working with donor countries to mobilize financial support through diverse channels, including the Fund for Pandemic Prevention, Preparedness, and Response, as well as special guarantees and grant financing for Ukraine. The World Bank Group is also working with stakeholders on the ground to implement important programs, such as the World Bank Group Climate Change Action Plan (CCAP), IFC's Global Health Platform, MIGA's Fast-Track COVID-19 Response Program and the World Bank's COVID-19 Strategic Preparedness and Response Program, as well as efforts to address debt vulnerabilities, boost the resilience of food systems, and support energy access and transition. We continue to stress the need to address the key drivers of fragility and poverty — in Afghanistan, Haiti, Sudan, Yemen and elsewhere — in order to build human capital, reduce inequality, promote jobs, and foster economic recovery.

Given the immense need for financing, the IDA20 replenishment process was advanced by a year, and a \$93 billion replenishment package was agreed to in December 2021. This financing is the largest ever mobilized in IDA's 61-year history and will help low-income countries respond to today's multiple crises and build a greener, more resilient, and more inclusive future. Donor countries also agreed to a review of IDA voting rights, resulting in a significant adjustment to its voting rights framework. This will help ensure fairness among all donors while protecting and enhancing recipients' voting power.

At the 2021 Annual Meetings and 2022 Spring Meetings, the Development Committee asked the World Bank to help countries address immediate food security and social protection needs; to help

manufacture and deploy vaccines, invest in diagnostics and therapeutics, and strengthen health systems; to continue supporting debt sustainability and transparency; to build on the CCAP to protect natural capital and biodiversity; to promote digitalization; to increase private sector financing mobilization; and, with the IMF, to coordinate actions and orient country engagements toward a green, resilient, and inclusive economic recovery. It urged the World Bank to work toward these objectives while remaining focused on the twin goals of ending extreme poverty and boosting shared prosperity as well as helping countries achieve the Sustainable Development Goals.

We strongly support the important efforts undertaken this year by World Bank Group senior leadership and staff to address racial injustice and workplace culture through recommendations from the staff task forces. We welcome these improvements as we transition to a hybrid work model. We were also pleased to travel as a group to client countries in fiscal 2022 — the first time since the pandemic started — and observe in person the impact of the World Bank Group's engagement.

We sincerely appreciate the ongoing commitment of staff across the institutions, including our own teams, to the World Bank Group's mission and their hard work during these exceptional and challenging times. We also extend a special thanks to the Emergency Management Team, who worked tirelessly to bring us back into our offices safely and securely after an extended period of home-based work.

Amid the many current crises, the World Bank Group stands ready to help countries and people across the globe as they work to address human and economic challenges and achieve progress on the path of development.



PHOTO SEATED BOTTOM, LEFT TO RIGHT:

Katharine Rechico
Canada

Koen Davidse
The Netherlands — Co-Dean

Monica E. Medina
Peru

Abdulmuhsen Saad Alkhalaf
Saudi Arabia

Merza Hussain Hasan
Kuwait — Dean

Matteo Bugamelli
Italy

Nigel Ray
Australia

Lene Lind
Norway

Richard Hugh Montgomery
United Kingdom

Rajesh Khullar
India

PHOTO STANDING TOP, LEFT TO RIGHT:

Alphonse Ibi Kouagou
Benin

Katarzyna Zajdel-Kurowska
Poland

Roman Marshavin
Russian Federation

Mohd Hassan Ahmad
Malaysia

Abdelhak Bedjaoui
Algeria

Takashi Miyahara
Japan

Adriana Kugler
United States

Arnaud Buissé
France

Eva Valle Maestro
Spain

Hayrettin Demircan
Türkiye

Michael Krake
Germany

Taufila Nyamadzabo
Botswana

Erivaldo Gomes
Brazil

Armando Manuel
Angola

Junhong Chang
China

LETTER FROM DAVID MALPASS

President of the World Bank Group



The world is facing dangerous crises that are hammering developing countries, hitting the poor and vulnerable, and worsening global inequality. High inflation, war in Ukraine, large macroeconomic imbalances, and shortages of energy, fertilizer, and food have caused the sharpest global economic downturn in 80 years, compounding the death tolls, economic shutdowns, and school closures of the COVID-19 pandemic. Low- and middle-income countries now face surging prices for natural gas and fertilizer and the worst food crisis in a decade, as they work to achieve progress on long-term development needs — including clean water, electricity access, reading skills, quality infrastructure, and climate-related investments.

In the global fight to alleviate poverty and raise living standards, 2022 is likely to be one of the worst years in decades. Real median income has declined further in many countries, and the tragic reversals in development during the pandemic have worsened. Our June *Global Economic Prospects* report highlighted the risk of stagflation and the concentrated harm to the poor. Inequality is a prominent destabilizer, with global capital and income allocated primarily to high-income countries through their fiscal, monetary, and regulatory policy choices. Inequality is expected to worsen in coming years, leaving development goals out of reach for many.

The World Bank Group is responding to these challenges with speed, clarity, scale, and impact. We've committed two consecutive surges of financing, analytical work, advocacy, and policy advice to support people, preserve jobs, and restore growth — first, \$150 billion in response to the COVID-19 pandemic, and now a 15-month \$170 billion response to the food crisis as well as the war in Ukraine and its spillover effects. Since the start of the pandemic through fiscal 2022, the World Bank Group has provided over \$14 billion to help more than 100 countries respond to the health impacts of COVID-19 and vaccinate their people.

In fiscal 2022, IBRD committed \$33.1 billion, including support for more than 45 middle-income countries. This includes \$300 million to help Türkiye scale up private sector investment in geothermal energy. IDA committed \$37.7 billion for grants and highly concessional loans to over 70 countries, including \$645 million to support food system resilience and emergency response in Burkina Faso, Cameroon, Mali, Mauritania, Niger, and Togo. I welcomed our IDA partners' agreement in December 2021 to advance the IDA20 replenishment by one year. Their record three-year contributions of \$23.5 billion will anchor IDA's financing of \$93 billion for fiscal 2023–25 and help the poorest countries address urgent priorities — including jobs and economic transformation, human capital, the reversal in learning and literacy, gender, climate change, and fragility, conflict, and violence (FCV) — and move toward restoring growth.

Despite challenging economic headwinds, IFC provided strong support to the private sector with commitment volumes totaling \$32.8 billion (including mobilization) in fiscal 2022, building on \$31.5 billion of investments in fiscal 2021 and focusing on maximum impact. As banks cut back on trade finance, IFC is stepping in to keep import/export businesses operating despite the constraints they face. In fiscal 2022, IFC's commitments reached \$9.7 billion in trade finance, the highest level ever; nearly 75 percent of this was invested in IDA countries and countries affected by FCV. In one example, Coris Bank in Burkina Faso received IFC trade finance to import rice from various countries.

MIGA issued \$4.9 billion in guarantees to help countries achieve their development goals. These efforts will provide some 15 million people with new or better electricity service and enable \$1.9 billion in loans, including to local businesses. MIGA remained focused on its strategic priorities, with 85 percent of its projects in fiscal 2022 dedicated to countries affected by FCV, IDA countries, and climate mitigation and adaptation.

Fragility, conflict, and violence are rising in much of the world, including Afghanistan, Ethiopia, the Sahel, and Yemen. In Ukraine, the war has led to lives, homes, and livelihoods being lost, millions of refugees, and infrastructure destroyed. The costs of reconstruction are already in the hundreds of billions. As of August 2022, we have mobilized and facilitated the transfer of \$13 billion in emergency financing, with more than \$9 billion already disbursed to help Ukraine finance critical government services and lessen the human and economic impacts. This includes a \$1.5 billion World Bank package, including \$1 billion in exceptional support from IDA, to help pay wages for government and school employees. World Bank Group support also extends to countries that are hosting Ukrainian refugees.

With the increase in energy and food costs and Europe's huge unmet demand for natural gas, developing countries are facing new strains on people and economies. The sudden spike in food prices threatens to worsen political and social tensions in many developing countries, with devastating impacts on the poorest and most vulnerable. In parts of Eastern and Southern Africa, for example, about 66 million people are at risk of a food emergency or famine. In May 2022, we announced support for a global response to the food security crisis, with up to \$30 billion in financing through August 2023, including \$12 billion in new projects, to cushion the effect of higher prices and boost agricultural production and supply. The response builds on our experience from the last food price crisis and incorporates our data and analytical work, including the [Commodity Markets Outlook](#). And in July 2022, I joined leaders of the IMF and UN agencies in calling for urgent action to improve global food security by providing quick support to the vulnerable,

facilitating trade and international food supplies, boosting production, and investing in climate-resilient agriculture.

The disruption of energy supplies is lowering growth, especially for economies that depend on fuel imports. Higher prices for natural gas and shortages are putting fertilizer supplies and crop yields at risk, destabilizing electricity grids, and increasing the use of heavily polluting fuels. The world urgently needs to increase the supply of energy and massively expand reliable access to electricity in poorer countries. This will require major new investments in cleaner energy, energy efficiency, and electricity grids and transmission. The fundamental realignment of Europe's energy sources away from dependence on Russia requires major increases in electricity generation from natural gas, hydropower, geothermal, and nuclear power to provide a less carbon-intensive baseload to maintain and expand electricity grids.

Climate change and extreme weather are steadily increasing their pressure on economies and societies, particularly in fragile settings. The World Bank Group's Climate Change Action Plan 2021–25 seeks to integrate climate and development, identify and develop the most impactful projects to reduce greenhouse gas emissions and adapt to climate change, increase direct financing throughout the World Bank Group. It will provide avenues for the global community to provide the huge flow of new grant funding needed for global public goods in poorer countries. Innovative financial tools, such as green bonds and the Wildlife Conservation Bond we launched in March 2022 — the first of its kind — will need to expand. The Climate Change Action Plan has also introduced a new core diagnostic: Country Climate and Development Reports. As of the end of July 2022, we had published the first of these reports for Türkiye, Vietnam, and the G5 Sahel region. I'm also pleased that, with this annual report, we are introducing much greater transparency in the World Bank's climate disclosures.

A major consequence of the current crises is the huge buildup in government debt. For many of the poorest countries, the debt burden is unsustainable or at

high risk. Deep debt reduction will be necessary to allow new investment and growth. We work closely with the IMF and other partners to help countries strengthen their transparency, governance, and accountability — all key steps in debt sustainability. We also continue to call on official and private sector creditors to participate quickly and fully in efforts to reduce debt stocks. Under current creditor-country policies, expected debt payments by the poorest countries to their creditors in 2022 and 2023 will greatly exceed all the development assistance available to these countries. Our [World Development Report 2022](#) examines policies to mitigate interconnected financial risks and steer the world toward a sustainable and equitable recovery.

I was pleased to welcome many colleagues back to our offices this year. We continue to adapt our work model to protect staff health and well-being while recognizing the value of physical interaction in delivering high-quality results for clients and career development. The World Bank Group's anti-racism task force continues our important work to fight racism and racial discrimination within our institution and in countries where we work. I remain committed to fostering a culture of openness and trust and improving diversity and inclusion across the organization, also through our task force on workplace culture.

The crises affecting our client countries are deep-seated, but I am confident we can make a difference. To meet these challenges, we must draw on the innovation and dedication of our staff, the strength of our partnerships, and the resolve of the global community. The World Bank Group remains committed to helping countries overcome these challenges and work toward a more resilient and sustainable future.



David Malpass

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

LETTER FROM MAKHTAR DIOP
IFC Managing Director



Stepping up in a time of uncertainty.

The title of our Annual Report reflects our determination to step forward, with a sense of urgency, when the world needs us most.

In an environment fraught with uncertainties, confronting mounting challenges with decisiveness and resolve is the only way forward.

Global Challenges

The slow vaccination rates in the developing world and the emergence of new variants prolonged the impacts of the COVID-19 pandemic. The war in Ukraine unleashed a humanitarian crisis in the region, triggered a global food crisis, and further disrupted global supply chains. Soaring inflation worsened poverty and threatened essential investments in emerging markets. More frequent and intense climate events provided an ominous glimpse at the consequences of a continued disregard for the planet.

Taken together, these challenges point toward a singular truth: there is no going back to where we were before. We have entered a new normal, one that will require new partnerships and creative mindsets to pave the way for a more sustainable, resilient, and inclusive future.

What does the new normal demand from IFC? This topic has weighed heavily on my mind this year. I am incredibly proud of what our team has accomplished in the face of unprecedented uncertainty and growing fragility around the world. Fiscal Year 2022 was another record-setting year, with total investment commitments of \$32.8 billion. These investments created regional manufacturing hubs that can produce vaccines and other essential goods, helped commerce flow in fragile and conflict-affected areas, and kept climate projects on track amid economic anxiety that could have derailed them.

When I step back and reflect on the totality of IFC's accomplishments, a common thread emerges: IFC's ability to defy uncertainty and drive outcomes that change lives. Our ability to step up in the most challenging circumstances and bring others along. Our willingness to take risks and seize opportunities.

Building Resilience

Countries around the world are carrying the weight of converging crises. They are feeling the pull to turn inward, shore up resources, and focus on national concerns. But strong nations and close global ties are not and should not be mutually exclusive goals.

To keep trade flowing across borders in turbulent times, IFC committed record amounts in trade financing support to emerging markets, especially low-income countries.

Another example of what is possible is building medical supply chains to address the pandemic. Since March 2020, IFC has invested and mobilized more than \$2.2 billion to help get vaccines, personal protective equipment, and medical supplies into emerging markets, with a special focus on regional

facilities and distribution channels in Africa that can serve local populations long after the COVID-19 crisis subsides.

The potential implications of this approach go far beyond healthcare. We envision similar opportunities to build resilient ecosystems in areas like agriculture — and therefore food security — and housing. In fact, we plan to use our Global Health Platform as a model for addressing food insecurity and targeting assistance to farmers, food processors, and fertilizer distributors in developing countries.

We will also continue to support opportunities that connect individuals with training, digital resources, and capital to launch businesses. These investments are key to driving the economic engines of emerging markets and promoting the kinds of innovation that can reshape the world.

Multidimensional Development

Consider the energy crisis in the developing world, where 600 million people in Africa alone still live without access to electricity. The need to address this issue is not up for debate. Yet the ever-worsening impacts of climate change mean we cannot do it in the same way we always have. We need to find a new path forward: one that combines advancements in sustainable technologies, massive investments in adaptation with innovative trade agreements and financing tools. This is the only way we are going to succeed in powering Africa — while decarbonizing an industry that is one of the world's largest contributors to greenhouse gas emissions — and helping middle income countries through their energy transition.

This is just one example of multidimensional development, but there are countless others. We need to both expand capital access for small businesses and invite in more women and underrepresented minorities to take part. We need to both build affordable housing and invest in more sustainable building materials.

It is hard to understate the power of these opportunities. They have the potential to create true win-win scenarios that benefit businesses, nations, and the entire global community. But they will also require sustained effort, new partnerships, and close collaboration between the public and private sectors and international development organizations like IFC.

Creating a Stronger IFC

In the new normal, we all have to get comfortable taking on more challenges, which means taking more risks and being willing to push the envelope. We have to want more for the future of the world, do more to achieve it, and be more like the best versions of ourselves.

IFC has already taken so many important steps forward to meet the demands of the moment. We continue to increase our climate-related commitments, and we are on track for all direct investments to be aligned with the Paris Agreement by 2025. We are also building on our legacy of setting global standards, launching new green taxonomies for climate-friendly projects or issuing guidelines for blue finance to promote the blue economy and save our oceans.

We continue to build out our capacity for taking on bold risks in a prudent manner. We know how important our willingness to push into challenging markets is, and we remain committed to charting paths that will encourage others to follow. We intend to grow our use of blended finance tools to help rebalance risks for private investors, and we will keep taking chances on game-changing ideas and innovations. We know not every investment is going to pan out, but the potential impact of the ones that do far outweigh the costs.

I am especially excited about the growth of our Upstream program, which has truly gone mainstream and become a central part of our operations. Now we're shifting our focus to execute on a robust pipeline of commercially viable projects and convert these

ideas into investments that move the needle and create new or expand existing markets including in fragile countries.

But even with all these initiatives, there is still more we can and must take on. That is why we are proactively improving how our organization works around the world. We are implementing changes to IFC's organizational structure and decision-making frameworks that will remove silos, foster greater collaboration, and streamline decision-making so that frontline staff, who know on-the-ground conditions best, can respond quickly and effectively to clients.

My hope is that these changes will help optimize IFC for the future. I want us to be an organization that embraces change and nurtures talent. I want us to have a culture that is diverse, lively, and inclusive. Put simply, I want us to be nothing short of the very best in global development—for our clients, for the people and communities we serve, and for ourselves.

The new normal is not something we should fear. It is something that should inspire our work toward a better, brighter tomorrow.



Makhtar Diop
Managing Director

IFC FY22: STEPPING UP, DELIVERING RESULTS

\$32.8B

in total investment commitments,
as compared to \$31.5B in FY21



CLIMATE

TRADE

\$4.4B

in climate
financing for
our own account

\$9.7B

in trade finance—
**OUR HIGHEST
LEVEL EVER**

75%

of this amount was invested
in IDA countries and fragile
and conflict-affected
situations