In Morocco, Casablanca’s tramway system is expanding with support from a $100 million IFC financing package and advisory support from Japan.

Employee working in the Jain Agri Park in India, where they grow an estimated 100 million banana plants a year, which are then sold to local farmers.

Published in April 2021
Creating Markets, Creating Opportunities

The International Finance Corporation (IFC), a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. For over 60 years, IFC has been helping countries mobilize private sector solutions and finance to solve the world’s most pressing development challenges.

Japan is the second largest shareholder of IFC, and an essential partner in IFC’s global mission to create markets and opportunities across the developing world. Japan was the largest contributor to IFC’s 2018 capital increase, and it has been a first mover on the encashment. Japan’s support of IFC and its mission is all the more critical given the severity of COVID-19 and the need to deploy greater resources to emerging market economies hard hit by the pandemic.

Together, IFC and Japan engage on three key levels:

**GOVERNMENT AND DFIs**
The Government of Japan provides donor funding, manages trust funds, and conducts policy dialogue with IFC. Japanese development finance institutions (DFIs) co-invest with IFC on development projects.

**PRIVATE SECTOR**
Japanese companies are project sponsors and co-investment partners of IFC across diverse regions and industries. They also partner with IFC through staff and knowledge exchanges.

**CAPITAL MARKETS**
Japan is a major market for IFC’s funding operations, with Japanese retail and institutional investors providing critical capital to IFC and the IFC Asset Management Company.
IFC creates opportunities to deliver investments with high development impact. In fiscal year 2020, we invested $22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity.

Our corporate strategy IFC 3.0, in place since December 2016, has become even more relevant as we help member countries cope with the shock of COVID-19, which has triggered an unprecedented outflow of capital from emerging markets. Many governments have limited fiscal space to cushion the blow so for us to build back better—with an inclusive, sustainable and resilient recovery—it will be crucial to bring the private sector back to developing countries.

IFC’s blueprint for this is to be proactive, not reactive. We are committed not just to financing projects but also to creating markets in the world’s poorest and most fragile countries. IFC 3.0 integrates new ways of solving development challenges, allowing us to play to our strength as the world’s largest mobilizer of private sector investment in emerging markets.

It is a comprehensive, 21st century architecture for delivering on the founding mission that we embarked on in 1956—to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in less developed areas.

It puts development at the heart of IFC and moves us closer to achieving our ultimate goal: putting IFC at the heart of development.

### IFC by the Numbers

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than $321 billion</td>
<td>Invested since our founding in 1956</td>
</tr>
<tr>
<td>$58.7 billion</td>
<td>Committed global investment portfolio</td>
</tr>
<tr>
<td>$21.9 billion</td>
<td>In financing provided in fiscal 2020, of which $10.8 billion was mobilized from other investment partners</td>
</tr>
<tr>
<td>102</td>
<td>Offices in 95 countries</td>
</tr>
<tr>
<td>3,940</td>
<td>Staff globally</td>
</tr>
<tr>
<td>About 2,000</td>
<td>Private sector clients</td>
</tr>
</tbody>
</table>
Japan joined IFC as a founding member in 1956, and over the years it has evolved from an aid recipient, to donor, to financier providing essential support to IFC. Japan’s partnership has been crucial in IFC’s work to create markets and opportunities that help countries mobilize private sector solutions and finance to solve development challenges.

The Government of Japan provides high-level oversight and support for IFC. Japan’s Minister of Finance is a member of IFC’s Board of Governors, while Japan is represented on the Board of Directors, which helps guide IFC’s programs and activities. Japan also delivers important donor funding through the Comprehensive Japan Trust Fund, which provides technical assistance to developing countries while supporting industries and regions of strategic importance to Japan.

The Power of Partnership

DFI Collaboration

Development finance needs vastly outweigh what IFC can provide, and by partnering with others, we can accomplish far more than we ever could alone. IFC collaborates with Japanese development finance institutions to maximize our development impact in poor and fragile countries.

The Japan International Cooperation Agency (JICA) is a key DFI partner for IFC. JICA delivers technical cooperation, ODA loans, and grant aid to developing countries. It also offers concessional private sector loans and equity investments for eligible projects with Japanese interests or significant development impact. IFC and JICA signed a Memorandum of Cooperation in 2017, under which the institutions plan to co-invest $3 billion by March 2023 in projects with high development impact.

The Japan Bank for International Cooperation (JBIC) is another of important DFI working with IFC. JBIC is a major investor in the IFC Asset Management Company, which mobilizes and invests in sustainable companies across emerging markets for attractive returns and impact. In 2020, IFC and JBIC signed a Memorandum of Understanding, which will pave the way for greater cooperation between the institutions in financing projects in poor and fragile countries.

Nippon Export and Investment Insurance (NEXI), the official export credit agency of Japan, is a third key DFI partner for IFC. In 2020, IFC and NEXI also signed a Memorandum of Understanding to jointly advance private-sector-led development in poor and fragile countries. The MOU will enable IFC and NEXI to explore opportunities to jointly support economic and social development in common regions of operation.
Bangladesh
IFC and JICA provided debt financing to Sembcorp Utilities to significantly expand its power generation capacity, helping to address Bangladesh’s growing demand for power while lowering the cost of energy generation.

Vietnam
IFC and Sojitz are co-investors in the agribusiness firm PAN Group. IFC also financed subsidiary PAN Farm, whose PAN-HULIC joint venture produces high-quality flowers, vegetables, and fruits, some of which are sold at AEON shops in Vietnam.

Indonesia
IFC and SMBC have been strategic partners of Bank Tabungan Pensiunan Nasional (PTNB) to support small and medium-sized enterprises and women entrepreneurs in Indonesia.

Serbia
IFC is financing Europe’s first large-scale environmental infrastructure public-private partnership—a landmark waste-to-energy project in Belgrade co-sponsored by ITOCHU Corporation.

Africa
IFC, Mitsui & Co., Google, and Convergence Partners invested in CSquared, a partnership focused on deploying wholesale, carrier-neutral, open-access fiber optic network across Sub-Saharan Africa.

Mexico
IFC, JICA, and partners arranged a financing package for Infraestructura Energética Nueva S.A. de C.V. (iEnova) to support climate change mitigation projects, including the development of non-conventional renewable energy.

Morocco
An IFC loan is backing a new tramway that will cut travel times and help the Casablanca-Settat region upgrade several hundred kilometers of rural roads. The loan is supported by an Advisory Services program, funded by the Comprehensive Japan Trust Fund, which provides technical expertise on road maintenance.

Cambodia
IFC supported Hattha Bank, a subsidiary of MUFG Bank, through its first bond issuance listed on CSX for MMIC financing and its COVID fast track financing facilities.

Asia and the Pacific
IFC arranged a financing package for Oates International Ltd., 17.4% of which is owned by Mitsubishi Corp., to support 80,000 smallholder farmers in Indonesia, Papua New Guinea, Timor-Leste, Vietnam, and Uganda. Co-financing from JICA is supporting farmers in Indonesia.

Middle East
IFC extended a corporate loan to Metito Holdings, which is 38.4% owned by Mitsubishi Corp. and Mitsubishi Heavy Industries, under the COVID-19 Real Sector Crisis Response Facility.

Argentina
IFC provided a $80 million corporate loan to NSG UK Enterprises, a wholly owned subsidiary of Nippon Sheet Glass Co., to support its expansion of operations through the construction of a new float glass production line.

IFC has been a co-investment partner with Japanese companies for over 20 years. Since 1997, IFC has partnered with Japanese companies on 123 projects with a total committed portfolio of over $6 billion.

IFC Long-Term Investment Commitments, by Region with Japanese Sponsors ($Million) as of December 31, 2020

- **Global:** 1,531 (25%)
- **East Asia and Pacific:** 1,884 (31%)
- **Sub-Saharan Africa:** 263 (4%)
- **South Asia:** 348 (6%)
- **Middle East and North Africa:** 471 (7%)
- **Latin America and the Caribbean:** 623 (10%)
- **Europe and Central Asia:** 1,026 (17%)

Total: 6,137

---

Construction workers carefully lay rebar at the EcoHome 3 project in Hanoi, Vietnam. The project will become an EDGE-certified building, an internationally-recognized green building certification system developed by IFC to steer construction in rapidly urbanizing economies onto a more low-carbon path.

Photo: Dominic Chavez/IFC
Strategy in Action

IFC, ITOCHU Corporation, and others are teaming on an innovative waste-to-energy project to clean up Europe’s largest unsanitary landfill located at the outskirts of Belgrade, Serbia. Opened in the 1970s, the toxic site has become a 50-meter-high pile of untreated garbage that pollutes the land, water, and air.

But the genesis of the deal stretches back more than half a decade. That’s when IFC signed an agreement to help Belgrade explore private sector solutions to its growing waste management problem. IFC staff helped Serbian officials shore up what was then a new law governing public-private partnerships (PPPs), and worked to design and tender contracts for the new facilities. These efforts fall under what we at IFC call working Upstream.

A Pioneering PPP in Serbia

After a two-year bidding process, Beo Čista Energija, a special purpose corporation led by ITOCHU and Suez S.A. of France was contracted in 2017 to deliver the PPP, pledging €300 million of new investment in waste infrastructure. Two years later, it received financing from IFC, the European Bank for Reconstruction and Development, and the Austrian Development Bank, allowing construction to begin in October 2019.

The project is Serbia’s first large-scale environmental infrastructure PPP—setting a model for addressing similar challenges in other emerging and middle-income countries, where unsanitary landfills have often been kept in operation due to a lack of funding. In an era when government budgets are stretched thin, this creativity helps direct capital and expertise into projects that make life better for everyday people.

Funding Solar Power in Mexico

IFC is one of the largest financiers of the power sector in emerging markets, committing $6.7 billion in own account and mobilized funds since fiscal year 2018 to power sector-related projects. To support Mexico’s efforts to cut greenhouse gas emissions and help diversify the country’s energy supply, IFC arranged a $400 million senior loan package to Infraestructura Energética Nova S.A.B. de C.V. (IEnova) to finance four solar power plants with a total capacity of 376 megawatts across Mexico. JICA partnered with IFC in delivering the finance, committing $100 million of the funds.

IEnova is one of the largest private sector energy companies in Mexico, with operations in natural gas, power generation, and refined products storage segments. This was IFC’s first financing in Mexico certified under the Green Loan Principles, which provide a framework and guidelines to confirm that the proceeds of the loan are used for climate-friendly projects. For JICA, the loan was its first under the Green Loan Principles and part of its broader work to support climate change initiatives across Latin America.

A New Waste-to-Energy Plant in Serbia

Waste-pickers spend long days collecting recyclable material at the Vinča landfill in Serbia. IFC is working with partners to clean up this site and build a modern waste-to-energy facility. Photo: Dominic Chavez/IFC

An Innovative Transaction in Morocco

With support from Japan, IFC’s Upstream approach has helped Morocco find an innovative solution for its vast infrastructure finance needs. After two years of policy dialogue with the government alongside the World Bank, IFC in partnership with the Government of Japan, helped set the groundwork for a vibrant new subnational financing program that does not require sovereign guarantees.

A $100 million loan from IFC is backing a new tramway in Casablanca [see front cover] that will cut travel times by 35 percent during working hours and help the Casablanca-Settat region upgrade several hundred kilometers of rural roads in remote rural communities, connecting some 400,000 people to schools, hospitals, and other services. It marks the first time in Morocco that a local subnational government has raised commercial financing without a sovereign guarantee—opening doors for other regions and subnational governments to do the same and meet Morocco’s ambitious decentralization agenda.

The loan was supported by an Advisory Services program funded by the Comprehensive Japan Trust Fund that provides technical expertise on road maintenance, as well as on environmental and social governance for quality infrastructure projects. Japan is now supporting IFC to scale this work to the Moroccan Region of Fes Meensa, where IFC is assisting the region with a similar road maintenance strategy and environmental and social-related activities.
IFC raises funds in international capital markets for private sector lending and to safeguard IFC’s triple-A credit ratings by ensuring adequate liquidity. Issuances include benchmark bonds in core currencies, thematic issuances to support strategic priorities such as climate change, and issuances in emerging-market currencies to support the development of capital markets.

In fiscal year 2020, IFC raised $11.3 billion across 29 currencies and 217 trades. On an annual basis, funding from Japan represents more than 10% of IFC’s total issuance including public, private, and Uridashi bonds.

The launch of the Sustainable Development Goals has brought the world together on a mission to end poverty, fight inequality, and tackle climate change. A growing number of investors has begun to embed environmental, social, and governance (ESG) standards into their investment decisions. A subset of IFC’s loan portfolio is funded through our Social Bond Program, which finances projects that aim to alleviate social issues, and our Green Bond Program, which finances climate-friendly projects.

Our goal is to continually provide much-needed liquidity to the nascent sustainable bond market. In light of COVID-19 and the social challenges borne from coronavirus, social bonds are now front and center of the thematic bond market, and demand is higher than ever. In FY20, IFC issued an AUD 300 million social bond placed exclusively with Nippon Life Insurance, while Sumitomo Life Insurance invested in an AUD 100 million social bond from IFC.

Moreover, IFC was one of the earliest issuers of green bonds. Since we began our program in 2010, we have helped catalyze the market and unlock capital from the private sector to fund climate-smart projects. This past year, IFC passed the $10 billion mark for our cumulative green bond issuance project after a historic trade with Japan’s Government Pension Investment Fund.

Impactful and profitable equity investments are crucial to achieving IFC’s development objectives and securing our long-term financial sustainability. The IFC Asset Management Company (AMC) mobilizes and manages capital for businesses in developing countries and frontier markets.

Created in 2009, AMC provides leading institutional investors with unique access to IFC’s emerging-markets investment pipeline, while also expanding the supply of long-term capital to these markets. AMC enhances IFC’s development impact and generates profits for investors by leveraging IFC’s global platform and investment standards. As of June 2020, AMC had raised $10.1 billion across 12 funds.

IFC’s value proposition for investors

- A supranational with fully paid-in capital and ample retained earnings
- Owned by governments of 185 member countries with more than 50% of capital held by AAA/AA sovereigns
- Strong financial profile with substantial capital and high liquidity
- Highly diversified global portfolio with debt and equity exposure in more than 120 countries and about 2,000 companies
- 0% risk weighting under Basel Framework
- Consistently rated AAA/Aaa (stable outlook) by S&P and Moody’s

IFC’s strong financial fundamentals

- IFC has one of the lowest ratios of debt to net worth of any supranational
- IFC’s growth is financed predominantly by retained earnings
- Duration of funding matches maturity of IFC’s loan portfolio
- IFC’s equity investments are funded by its net worth
At IFC, staff are our most important asset, bringing innovative solutions and global best practices to our clients. Their knowledge, skills, diversity, and motivation are key to our comparative advantage.

Around 90 Japanese nationals work at IFC. Located at IFC offices across the globe and working in such fields as investment, finance, risk, operations, and economics, Japanese staff are instrumental in helping IFC deliver on our mission of creating markets and opportunities in developing countries.

In fiscal year 2020, nine Japanese staff were recognized with IFC corporate awards for their excellent contributions to our mission. The projects for which they received awards included the Low-Income IDA and FCS Countries Catalyzing Private Investment in Agriculture in Ethiopia Project, the IDA/FCS Global Trade Finance Program, the Mazar Independent Power Project, and the India NBFC Insurance Facility.

To promote IFC as an attractive career destination for talented Japanese nationals, IFC conducts an annual recruitment drive in Japan and regularly participates in career fairs and other recruitment events across the country. To learn more about working at IFC, visit ifc.org/careers.

Growth in the Number of Japanese Staff at IFC

<table>
<thead>
<tr>
<th>Year</th>
<th>Japanese Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>57</td>
</tr>
<tr>
<td>2016</td>
<td>59</td>
</tr>
<tr>
<td>2017</td>
<td>55</td>
</tr>
<tr>
<td>2018</td>
<td>69</td>
</tr>
<tr>
<td>2019</td>
<td>75</td>
</tr>
<tr>
<td>2020</td>
<td>91</td>
</tr>
</tbody>
</table>

Masato Motoki

is an environmental specialist in the Bangkok office. As a member of the ESG team, he is responsible for environmental and social due diligence of infrastructure and manufacturing and services investments in East Asia and the Pacific. He applies IFC’s Performance Standards, a global benchmark for sustainability in international finance, and also shares his knowledge and experience in discussions with the United Nations, other development assistance organizations, IFC’s Tokyo office, and local universities.

Chiemi Nakano

is a financial sector economist in Washington, DC, responsible for development impact assessment of investment operations in the Latin America and Caribbean region. She uses the Anticipated Impact Measurement and Monitoring (AIMM) system that IFC introduced in 2017 to analyze project-level outcomes and effects on market creation. As an economist, she believes it is important to analyze the development impact of IFC’s operations as part of the World Bank Group mission, maximizing synergies between public and private sector solutions.

Aya Imai

joined IFC’s Financial Institutions Group in 2019 after working in management consulting and M&A advisory in the private sector. As an investment analyst based in IFC’s Amman office, she is involved in new investments and the management of existing investments in the Middle East and North Africa region. Most recently, her team has been working on small loans to women entrepreneurs, including Syrian refugees, and loans to SMEs that could contribute to climate change mitigation. Aya believes IFC provides a positive atmosphere in which anyone’s knowledge and expertise can be shared openly regardless of one’s position.

Jun Nitta

joined IFC’s Asset Management Company (AMC) after working for a financial institution. He is the co-head of several private equity funds managed by AMC that focus on the financial services sector, including commercial banks, insurance companies, and fintech in emerging markets. Since 2015, he has been working in AMC’s Singapore office, where he is involved in sourcing, structuring, and post-investment value creation of private equity investments, mainly in Asia. He finds this aspect of his job very attractive because he can contribute to the economic development of emerging countries.
Achieving the Sustainable Development Goals will require up to $4 trillion a year—far more than donor countries can provide through official development assistance, and far more than debt-burdened developing countries can finance from their own public-sector resources. It is essential, therefore, to mobilize private capital at a far greater scale, and in a much wider set of countries than ever before.

That’s why the World Bank Group has redefined its approach to development finance, working in new ways to help countries maximize finance for development by leveraging the private sector and making the most of scarce public resources.

Supporting this vision, World Bank Group shareholders endorsed a historic $13 billion capital increase, with $7.5 billion for the World Bank and $5.5 billion for IFC in April 2018.

This capital increase more than triples the paid-in capital that IFC has received since inception, and it will allow IFC to scale up its impact in meeting clients’ business goals and improving people’s lives.

Japan was instrumental in delivering the IFC capital increase. It was the largest contributor to the increase and following its implementation, Japan’s shareholding at IFC is expected to increase from 6.33% to 7.18%.

As part of the capital increase agreement, IFC has pledged to more than double annual investments by 2030 and more than triple own-account investments in the poorest and most fragile countries. Our focus will remain on Sub-Saharan Africa and South Asia, which account for most of the world’s poor. We will also triple our amount of annual climate-related financing and quadruple annual own-account financing dedicated to women and women-owned small and medium-sized enterprises.

Working Upstream, we target sectors with significant gaps. We are working across the World Bank Group to help craft policy and regulatory conditions, with a clear line of sight to future investments. Rather than just responding to requests for financing, we take the initiative to develop bankable projects as sector policy reforms emerge. This involves crafting innovative private sector solutions that will improve people’s lives, assessing their feasibility, and mobilizing investors to work with us to make them happen.

IFC Ambitions for 2030
Together with international financial institutions and private partners, IFC led the launch of the Operating Principles for Impact Management, a framework drawing a distinct line between impact investing—investing with an intent to create specific, measurable policy—and other forms of sustainable and responsible investing.

In April 2019, a group of 60 global investors signed on to the Operating Principles, an important step in mobilizing the private sector for development finance. JICA signed the Principles later in the year as the first Japanese entity and MUFG Bank became the first private sector signatory from Japan in March 2021.

The signatories, which number 110 as of January 2021, are working to align impact measurement systems into a common core of metrics that will improve the ability of investors to compare impact performance across funds and institutions. Signatories must annually disclose the alignment of their impact management systems with the Operating Principles and pursue regular independent verification.

IFC’s 3.0 strategy has never been more important than today, as the developing world struggles with the crippling economic impact of the global COVID-19 pandemic—and aspires to take advantage of an opportunity to build a better version of the world we live in.

As part of a larger World Bank Group crisis response package announced in March 2020, IFC began providing $8 billion in fast-track financing for existing clients whose operations and ability to comply with payment obligations were impacted. Having learned from past shocks, including the global financial crisis of 2008, we know that moving fast to help keep companies solvent is a key to saving jobs and limiting economic damage. Our pandemic response package is structured around the three broad themes of relief, restructuring, and recovery.

Recognizing a vast unmet need for funding to address the health impacts of COVID-19, IFC developed a $4 billion Global Health Platform (GHP) as part of its COVID restructuring phase. The GHP, for which Japan announced $10 million in support, aims to increase access for developing countries to critical health-care supplies such as face masks, ventilators, and potential vaccines, and help those countries boost their own manufacturing capacity.

More recently, IFC announced a $400 million Base of the Pyramid Program (BoP) to support viable small businesses that have been hit hardest by the pandemic. Through the BoP, IFC will target microfinance institutions, non-bank financial institutions, and banks that are focused on micro, small, and medium-sized enterprises. And, unlike the original fast-track financing, the BoP is open to both new and existing IFC clients.