

# IFC STRATEGY FOR GREATER IMPACT

DCED ANNUAL MEETINGS  
HÄRNÖSAND, SWEDEN



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# Chapter 1 – External Context and WBG Response

# An environment for private investment characterized by higher risk and uncertainty, and yet higher global ambition

## Persistent development gaps

- \$2 T / annum infrastructure gap
- Climate finance challenge
- Relevant skills, healthcare, financial inclusion, jobs
- Inequality, conflict, migration and displacement

## A volatile global economic environment

- Net capital outflows to EM >\$750B, high EM stressed debt, widening spreads, flight to quality
- Currency volatility
- Extended commodity price slump
- Geopolitical risks and tensions

Impact

Financial Sustainability

## Challenging Profitability Environment

- Foreign exchange losses
- Mark to market adjustments
- Rising NPLs and write-downs
- Erosion of unrealized capital gains (UCGs)

## Constrained Capital

- Deployable strategic capital remains in the single digits, limiting headroom for resuming substantial volume growth

# Sustainable economic recovery requires that the private sector resume its role in investing and expanding economic growth

## Implementing the SDGs and the WBG goals cannot be achieved without private sector.

- The private sector is a powerful engine for economic growth, job creation, tax revenues, products and services.
- The landmark agreements of 2015 (the Addis Ababa Action Agenda, the SDGs, and the Paris Climate Accord) confirmed the consensus that private investment and public policy together ensure best solutions to development problems.
- **IFC creates a bridge between the investment community and the development agenda.**
- Sustainable recovery will require new investment and means of mobilization that raises productivity growth, supports innovation and the creation of new markets in developing countries.

This defines the strategic challenge: **how to maximize economic impact, while also protecting IFC's financial capacity to play an even more catalytic role to support recovery and growth?**

# IFC's business model is built on the power of the private sector

The most enduring and sustainable development success can be most rapidly achieved by using the transformative power of markets.



# IFC offers integrated solutions to meet private sector development challenges

4 Focus  
Industry  
Groups:

MANUFACTURING  
AGRIBUSINESS &  
SERVICES

FINANCIAL  
INSTITUTIONS

INFRASTRUCTURE  
AND NATURAL  
RESOURCES

TELECOM, MEDIA,  
TECHNOLOGY &  
VENTURE CAPITAL

## INVESTMENT

(Loans, Equity, Trade Finance, Syndications,  
Derivative and Structured Finance, Blended Finance)

## ADVISORY

(Solutions Combining IFC's Expertise and Tools To Unlock Investment  
Opportunities And Strengthen Clients' Performance And Impact)

## MOBILIZATION

(Mobilizing and Managing Capital for Investment)

Integrated  
Solutions:

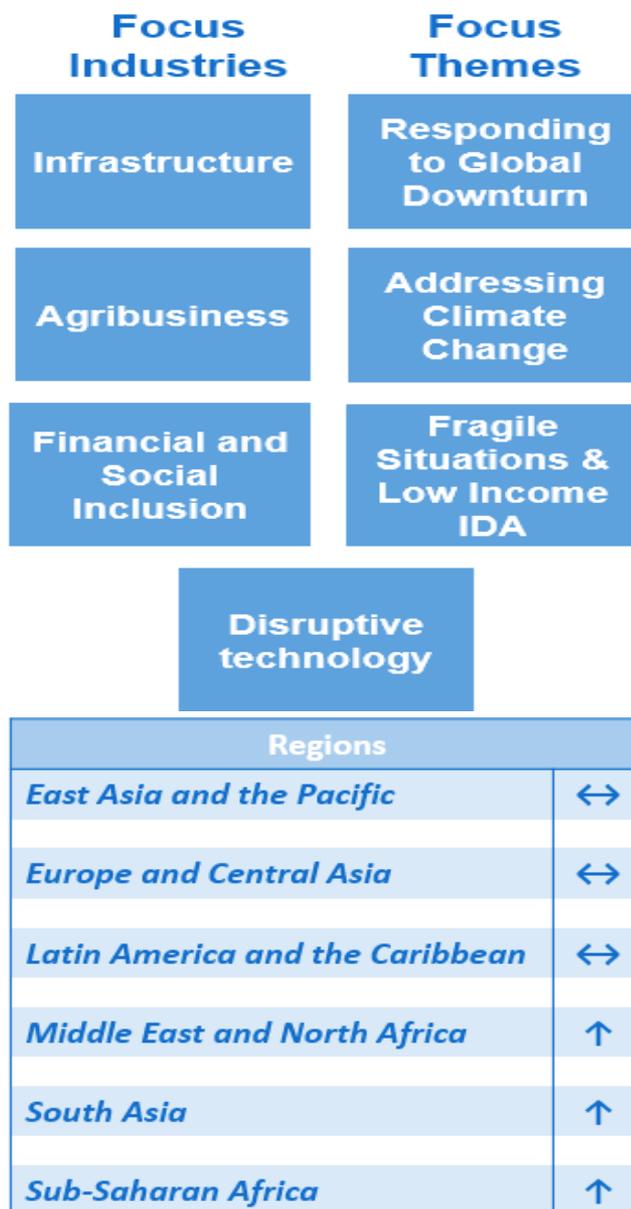
# IFC offers partners innovative solutions with proven governance – in addition to grants solutions for Advisory Service

Blended Finance for Climate	Global Agriculture and Food Security Program	Global SME Facility
<p><b>Purpose:</b></p> <ul style="list-style-type: none"> <li>• Supports standard-setting innovations, new products that help firms reduce greenhouse gas impacts, and countries to adopt more favorable regulatory environments for renewables and energy efficiency.</li> <li>• Three major programs to support projects in renewable energy and energy efficiency:               <ul style="list-style-type: none"> <li>➢ Canada Climate Program (CCP)</li> <li>➢ Global Environment Facility (GEF)</li> <li>➢ Climate Investment Funds (CIF)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• A multilateral fund set up to help the G-20 deliver on its food-security commitment</li> <li>• A public sector window helps governments with national agriculture and food security plans.</li> <li>• A private sector window provides long- and short-term loans, credit guarantees, and equity.</li> </ul>	<ul style="list-style-type: none"> <li>• Helps increase access to finance for SMEs, by providing financial intermediaries with dedicated SME lending windows and guaranteeing loans made to SMEs.</li> </ul>
<p><b>Partners:</b></p> <ul style="list-style-type: none"> <li>• CCP: Department of Finance Canada</li> <li>• GEF: Various</li> <li>• CIF: Various</li> </ul>	<ul style="list-style-type: none"> <li>• Private Sector Window: Netherlands, Canada, Japan, UK and US</li> </ul>	<ul style="list-style-type: none"> <li>• Netherlands, UK</li> </ul>

# Chapter 2 – Strategic Directions

# Impact: IFC has defined its strategic priorities along three axes: industry-specific, thematic, and regions

- All IFC operations rest on **client demand**. IFC will remain engaged **across a range of sectors and regions**.
- The strategy focuses on the **foundations for productivity growth**: *infrastructure, financial and social inclusion including access to human capital investment*.
- The strategy focuses on **development challenges that present the largest risks and opportunities**, including *fragile and conflict situations and climate change*.
- **Structural reform is essential** to make progress, particularly infrastructure and financial markets where policy and regulatory obstacles are high.
- Geographically **IFC is engaged across all regions**, focusing on where opportunities exist for IFC to make a big difference on vulnerabilities.



# IFC will balance development impact and financial sustainability

Strategy adds impact but also risk – increasing complexity, market volatility, FCS and challenging mandates. This demands that IFC manage portfolio risk actively, and increase its focus on profitable business segments, and selectively take contrarian positions that may contribute to long-term gains.

## Active Portfolio Management

- More portfolio teams in the field, closer to the clients
- Categorizing portfolio in risk tiers, and focusing more on larger exposures and “at risk” clients

## Profitability

- Focus on relatively more profitable business (FIG, South Asia, EAP) to help offset less profitable/high impact business.

## Managing Risk

- Holistic approach
- Proactively address adverse environment & safeguard portfolio
- Risk mitigation to support FCS/IDA

## Selective undervalued assets

- Distressed Asset Recovery Platform
- Increasing position in high quality / undervalued assets

# Mobilizing a robust private sector response

## Mobilization

- IFC aims to increase mobilization from current \$6 billion, expanding its reach by creating more platforms for funding and broadening its pool of co-investors.

## Capital markets development

- IFC links client borrowers with the capital markets through the provision of several market access, risk management, and credit enhancement products.

## Partnerships

- By leveraging its network of clients and partners and its position within the WBG, IFC enhance economic growth and impact of the private sector; and shape agendas.

## Intellectual Leadership

- IFC leverages its knowledge, influence and resources to ignite private sector thinking and solutions amongst partners.

# Linking strategy to resources

## Budget

- Additional resources would allow IFC to scale up its approach to enhance its impact in FCS, mobilization, capital markets and climate change.

## Capital

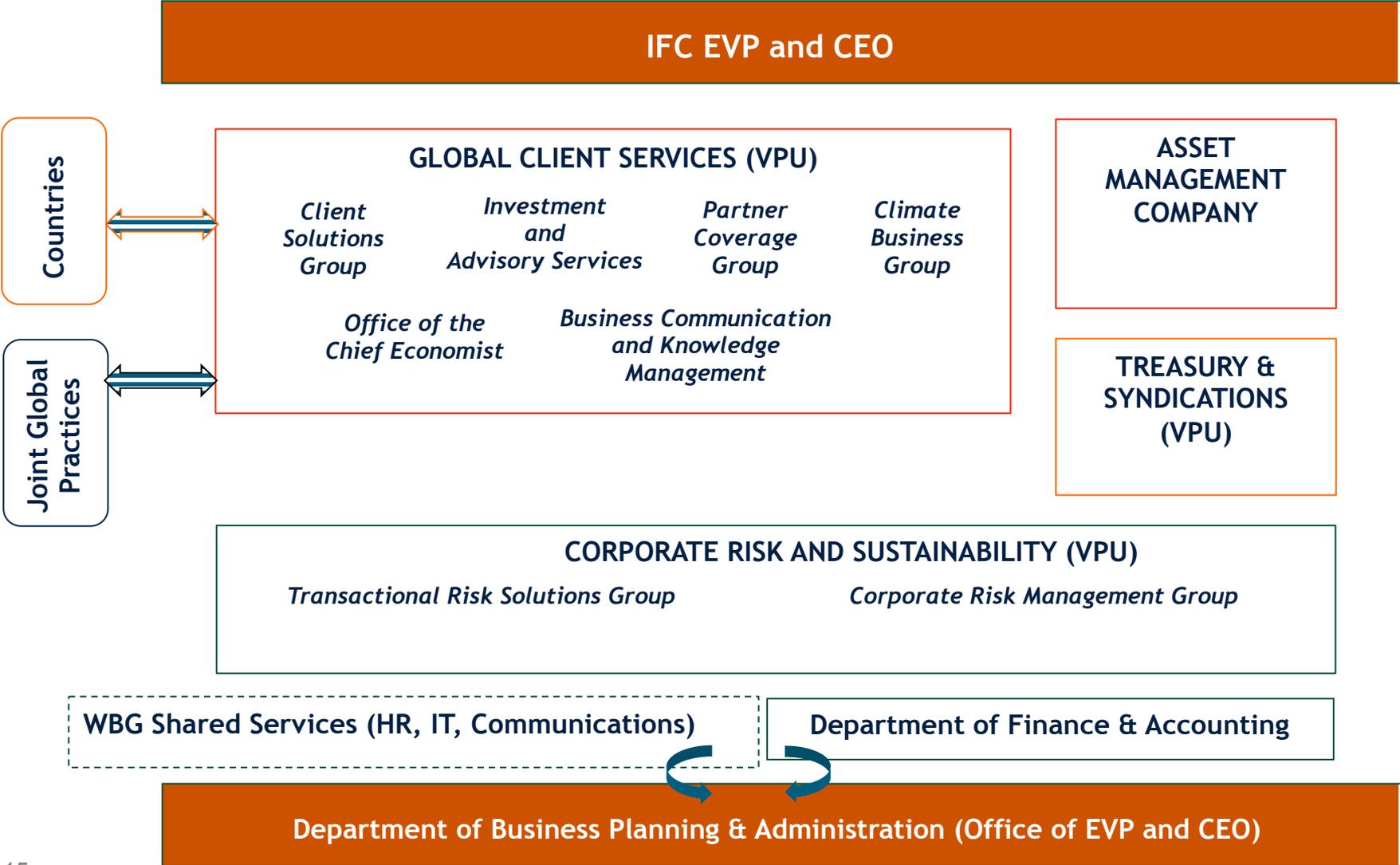
- The proposed program would be supported by current capital levels
- The conservation buffer built into ensures that IFC maintains a level of capital consistent with a triple-A rating.

## Strategic Staffing

- IFC's global footprint demands a strategic approach to workforce planning so that critical skills, capabilities to support new business, and incentives to attract and retain staff are planned for in key locations.

# Chapter 3 – Update on Advisory Services

# The refocused IFC organization



# Advisory in IFC today

From 4 Business Lines in IFC —————> to Advisory Solutions across the WBG



Public-Private Partnerships (C3P)

**IFC: Cross-Cutting Advisory Solutions (CAS)**



Investment Climate (IC)

**IBRD: Trade & Competitiveness GP (T&C)**

**IBRD: Health, Nutrition & Population**



Access to Finance (A2F)

**IFC: Financial Institutions Group (FIG)**

**IBRD: Finance and Markets GP (FM)**



Sustainable Business Advisory (SBA)

**IFC: Cross-Cutting Advisory Solutions (CAS)**

**IFC: Infrastructure & Natural Resources (INR)**

**IFC: Manufacturing, Agri & Services (MAS)**

**IFC: Telecom, Media, Technology (TMT)**

**IFC: Transactional Risk Solutions (CRK)**

# Advisory plays a critical role for IFC

IFC provides holistic solutions for the most pressing private sector needs in emerging markets.



Advisory plays a critical role by offering solutions, which combine our technical and financing knowledge, expertise and tools, to:

Open new and  
frontier markets in  
FCS & IDA

Strengthen the performance  
and impact of clients across  
industries

Unlock investment  
opportunities in  
different markets

# Advisory in IFC today: Key numbers

**765 operational staff**

delivering AS across IFC/WBG

**600+ projects in 100 countries —**

61% of program in IDA, 19% in FCS, 23% in Climate

**Funding: 59% Development Partners, 34% IFC & 7% Clients**

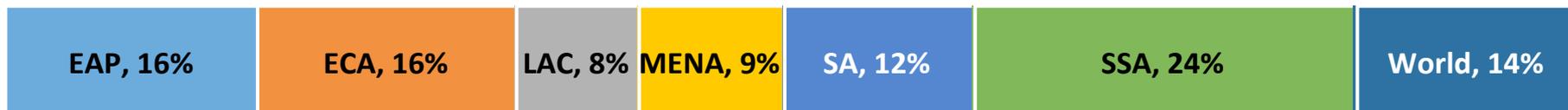
78% positive Development Effectiveness rating (in FY15)

## AS Portfolio: \$1.3 billion

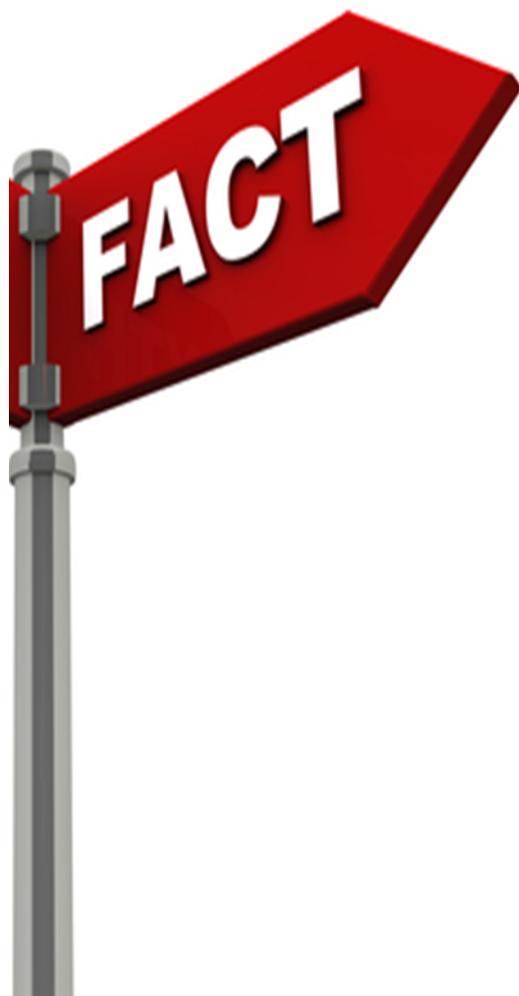
By department



By Region



## Advisory in the refocused IFC: To sum it up



- Advisory continues to be a critical part of IFC's offering
- Advisory is now increasingly integrated into the wide suite of solutions we offer to clients, paving the way for greater impact
- Advisory is now delivered by different IFC departments, IBRD Global Practices, and the newly established Cross-Cutting Advisory Solutions team
- We want to grow Advisory strategically

# Annex

## FISCAL YEAR 2016 HIGHLIGHTS

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**\$17.7 billion in long-term investment:**

- **\$10.6** billion for IFC's own account,
- **\$7.1** billion mobilized

**\$50.4 billion committed portfolio**

**\$4.7 billion invested in IDA Countries**

**Long-Term Investments: 406** new projects in **83** countries

**Advice:** Total portfolio **\$1.2 billion; 65%** of program in IDA countries, **20%** in fragile and conflict-affected areas



PHILIPPINES

# IFC will focus more on industries and themes that contribute to productivity growth and address sources of risk

## *Industries for scale-up*

### Infrastructure

- Unlock a larger pipeline of private infra
- Increase upstream work, equity, mobilization and WBG collaboration
- Move further on capital market financing of infrastructure

### Agribusiness

- Integrated advisory and investment operations across the value chain
- Increase portfolio in dairy, animal protein and food retail sectors

### Financial and Social Inclusion

- Scalable solutions for MSMEs, low-cost housing, underserved households
- Increased investment in H&E
- Linked to gender/Women in Banking, entrepreneurship, youth employment

### Disruptive Technology

- Target technologies with transformative potential against key challenges: e-health, fintech, distributed power, energy efficiency, extractives tech, e-logistics
- Will deepen skills to mainstream innovative and disruptive solutions across all industries
- Increase IFC agility and processes to enhance ability to compete in fast-moving sectors

## *Cross-cutting themes*

### Responding to a global slowdown

- Increase active portfolio management to support clients
- Selective investment in under-valued, high impact assets to rebuild UCGs over time

### Addressing Climate Change

- Increase resources to move toward 28% WBG target
- Focus on renewables, energy efficiency, green buildings

### Fragile Situations & Low Income IDA

- Effective WBG engagement
- Local presence with right skills
- Early review, mgmt support
- Enhanced risk envelope

# Focus on regions with substantial development gaps and structural and political challenges

## Europe & Central Asia

- Infrastructure: Clean energy, EE, Cities, transport, logistics, PPPs
- Financial sector: local capital markets development, MSME, gender finance
- Competitiveness: investment climate, ICT, value chains in manufacturing & agro-processing, resource efficiency, education & healthcare, South-South & North-South
- *New areas*: SOE restructuring and privatization, NPLs resolution, Greece

## Latin America and Caribbean

- Local financial markets: capital markets, local currency, DARP, Debt Funds, M&A, telecom, inclusive banking
- Infrastructure: energy, transport, PPPs
- Health, education, agri supply chain
- Climate change, E&S
- Urban poor, Sustainable Cities, frontier regions
- *New areas*: disruptive technologies, in areas of Fintech where JVs are critical.

## Middle East & North Africa

- Infrastructure
- Financial inclusion
- Investment Climate
- Cross-border, knowledge sharing
- Skills / entrepreneurship
- FCS
- Climate change
- New areas: refugee/IDPs
- On the Horizon: Iran, Algeria

## Sub-Saharan Africa

- Infrastructure: power, urban infra, renewables
- Agribusiness (agri-related infra, logistics, warehousing)
- SMEs support (finance, jobs, housing)
- Pilot 'deep dive' countries - FCS / IDA
- Explore opportunities in countries in arrears; Capital markets development
- *New areas*: diversification, agri productivity, PPPs, infra in gas-to-power, markets in Zimbabwe, Sudan

## South Asia

- Infra: power, RE, waste, clean tech
- Connectivity: roads, ports, warehousing
- Financial inclusion: MSME, housing, insurance, S-S
- H&E, skilling / training,
- Tech: fintech, e-comm, e-health, edutech
- Competitiveness/Jobs & Climate
- *New areas*: technology, cross-border, capital markets, PPP

## East Asia & Pacific

- Doubling Infrastructure –
- energy, ports, water, waste
- Cross-border, with CSLs
- Financial markets
- Health and education
- Privatization/ Corporatization –
- China, Vietnam, Myanmar
- *New areas*: disruptive technologies, cross-border, green growth