

INTERNATIONAL FINANCE CORPORATION

# STRATEGY AND BUSINESS OUTLOOK UPDATE FY22-24

LEANING IN

*Version redacted and disclosed in accordance with IFC's 2012 Access to Information Policy, following discussion with IFC's Board on April 22, 2021.*



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## GLOSSARY

AIMM	- Anticipated Impact Measurement and Monitoring framework	IOR	- IFC Operations Report
ADM	- Accountability and Decision-Making Framework	IoT	- Internet of Things
AMC	- IFC Asset Management Company	IPP	- Independent Power Producers
AS	- Advisory Services	IS	- Investment Services
BEST	- Build-Back-Better Emerging Markets Securitization Transaction	J-CAP	- Joint IFC-WB Capital Markets Initiative
BF	- Blended Finance	JET	- Jobs and Economic Transformation
BOP	- Base of the Pyramid	KPI	- Key Performance Indicator
CASA	- Conflict Affected States in Africa	LAC	- Latin America and the Caribbean
CDF	- Disruptive Technologies and Funds	LIBOR	- London Inter-Bank Offered Rate
CMA	- Creating Markets Advisory	LIC	- Low-Income Country
CMAW	- Creating Markets Advisory Window	LTF	- Long Term Finance
CODB	- Cost of Doing Business	M2D	- Mandate to Disbursement
COVID-19	- Coronavirus Disease 2019	MAS	- Manufacturing, Agribusiness and Services
CPF	- Country Partnership Framework	MCPP	- Managed Co-Lending Portfolio Program
CPSD	- Country Private Sector Diagnostic	MDB	- Multilateral Development Bank
CSC	- Corporate Scorecard	M&E	- Measurement and Evaluation
D4TE	- Digital 4 Tertiary Education	MENA	- Middle East and North Africa
DARP	- Distressed Asset Recovery Program	MFI	- Microfinance Institution
DE	- Development Effectiveness	MIC	- Middle-Income Country
DFI	- Development Finance Institution	MIGA	- Multilateral Investment Guarantee Agency
DO	- Development Outcome	MOU	- Memorandum of Understanding
DOTS	- Development Outcome Tracking System	MSME	- Micro, Small and Medium Enterprise
DPL	- Development Policy Loan	NBFI	- Non-Bank Financial Institution
DPO	- Development Policy Operations	NPL	- Non-performing Loan
DSC	- Deployable Strategic Capital	PPE	- Personal Protective Equipment
EAP	- East Asia and the Pacific	PPP	- Public-Private Partnership
ECA	- Europe and Central Asia	PSW	- Private Sector Window
EDGE	- Excellence in Design for Greater Efficiencies	RAROC	- Risk-Adjusted Return on Capital
EMDE	- Emerging Market and Developing Economy	RSE	- Real Sector [Crisis Response] Envelope
ERP	- Enterprise Resource Planning	RSF	- Risk-Sharing Facility
E&S	- Environmental and Social	SBO	- Strategy and Business Outlook
ESCO	- Energy Services Company	SDG	- Sustainable Development Goal
ESG	- Environment, Social and Corporate Governance	SME	- Small and Medium Enterprise
FCS	- Fragile and Conflict-Affected Situations	SPV	- Special Purpose Vehicle
FCV	- Fragility, Conflict and Violence	SSA	- Sub-Saharan Africa
FDI	- Foreign Direct Investment	STF	- Short Term Finance
FIG	- Financial Institutions Group	SWW	- Shared Workspace for Women
FIGE	- Financial Institutions Group [Crisis Response] Envelope	TRP	- Tourism, Retail & Property
FMTAAS	- Funding Mechanism for Technical Assistance and Advisory Services	VC	- Venture Capital
FTCF	- Fast-Track COVID-19 Facility	VPU	- Vice Presidential Unit
GDP	- Gross Domestic Product	WBG	- World Bank Group
GHP	- Global Health Platform	WCS	- Working Capital Solutions
GP	- Global Practice	WFP	- Workforce Planning
GTFP	- Global Trade Finance Program	WTO	- World Trade Organization
GTLF	- Global Trade Liquidity Program		
GUU	- Global Upstream Unit		
HGRP	- Hotel Green Revitalization Program		
IBRD	- International Bank for Reconstruction and Development		
IDA	- International Development Association		
IDD	- Integrity Due Diligence		
IEG	- Independent Evaluation Group		
IFC	- International Finance Corporation		
ILO	- International Labour Organization		
INR	- Infrastructure and Natural Resources		

# WORLD BANK GROUP'S STRATEGIC DIRECTIONS

*This section provides an overview of the World Bank Group's (WBG) strategic directions and the alignment of work programs and resources with these directions. It was prepared jointly by the World Bank (WB), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) and forms a common chapeau of each institution's Strategy and Business Outlook paper.*

## I. STRATEGIC CONTEXT AND DIRECTIONS

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- To date, the WBG has delivered a successful COVID-19 crisis response and made strong strides in operationalizing the commitments under IDA19, the IBRD/IFC capital packages and the MIGA three-year strategy.***

The World Bank Group's strategic framework is defined by the vision to deliver on the Twin Goals of eradicating extreme poverty and promoting shared prosperity,<sup>1</sup> and the commitments under the IBRD/IFC capital packages, the IDA19 Replenishment, and the MIGA three-year strategy. The COVID-19 pandemic has called the WBG to adjust this strategic framework to rapidly respond to the devastating impacts it has brought – with over 110 million people infected worldwide, the equivalent of 255 million jobs lost, surging food insecurity and the worst setback in poverty reduction and shared prosperity in decades.

The WBG has mounted an exceptional response to help client countries save lives and livelihoods, while protecting hard-won development gains threatened by COVID-19. As presented in the WBG COVID-19 Crisis Response Approach Paper,<sup>2</sup> the WBG crisis response centers on assisting countries to meet the dual challenge of addressing the health threats and the social and economic impacts of the COVID-19 crisis, while maintaining a line of sight to long-term development goals. The response has been fast, flexible and at scale, and globally coordinated and tailored to the specific needs of client countries.

Building on WBG knowledge, Independent Evaluation Group (IEG) evaluations and lessons learned, the WBG crisis framework brings together three phases (Relief, Restructuring and Resilient Recovery) and four thematic pillars to help countries address the crisis and transition to recovery by: (i) saving lives threatened by COVID-19, (ii) protecting the poor and vulnerable, (iii) maintaining the foundations of the economy and private sector, and (iv) strengthening policies and institutions for resilient recovery based on transparent, sustainable debt and investments backed by strong governance and private sector solutions. Interventions under all pillars keep a clear line of sight to a green, resilient and inclusive recovery. These pillars maintain alignment with the country long-term development and corporate commitments of the IDA19 Replenishment and the IBRD/IFC capital package, while the phases recognize that countries and

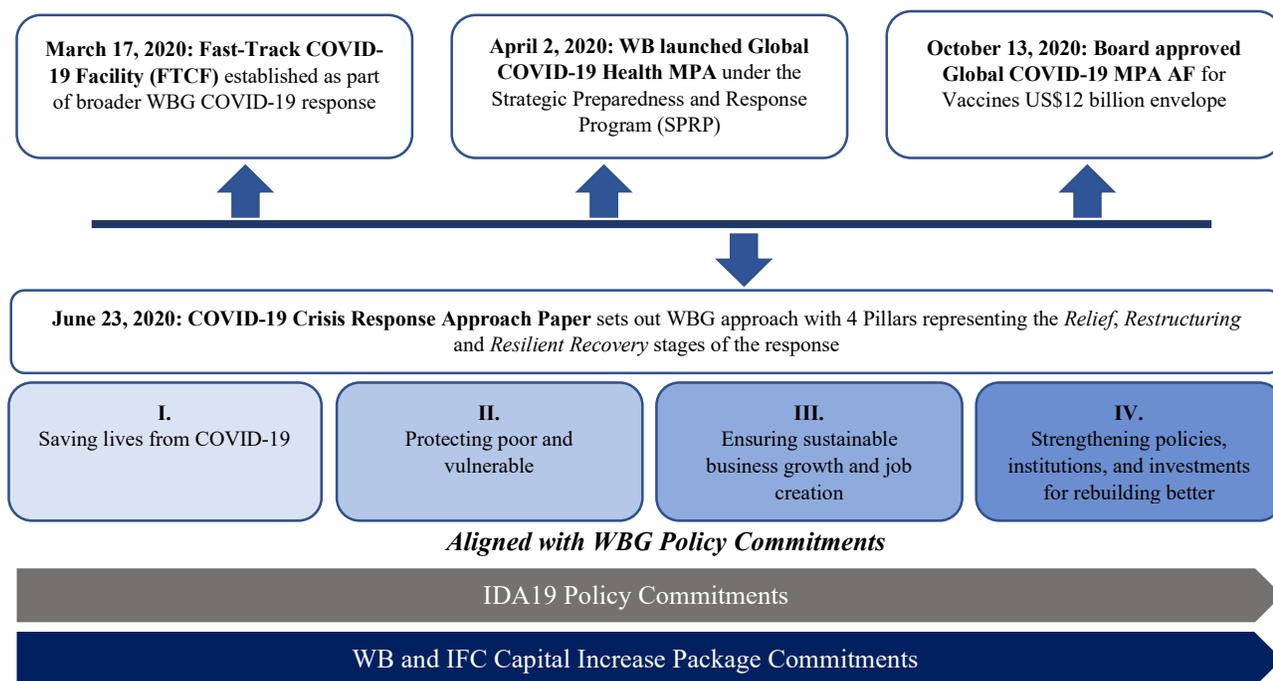
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<sup>1</sup> As set out in the Forward Look endorsed by the Development Committee at the 2016 Annual Meetings "Forward Look – A Vision for the World Bank Group in 2030 – Main Messages", DC2016-0009, Sept. 20, 2016 endorsed by the Development Committee at the 2016 Annual Meetings.

<sup>2</sup> "Saving Lives, Scaling-up Impact and Getting Back on Track", WBG COVID-19 Crisis Response Approach Paper, June 2020.

sectors will require different interventions tailored to the pace of recovery.

FIGURE A: THE COVID-19 CRISIS RESPONSE OPERATES WITHIN THE CORPORATE STRATEGY



**2. The WBG is on track to meet its commitment to deliver exceptional crisis support of US\$160 billion by June 2021, working in partnership with international, regional and local actors.**

The WBG delivered a record US\$82.9 billion in new financing over April to December 2020 and is making good progress towards achieving as much as US\$160 billion in financing over the 15 months through June 2021. This includes IBRD/IDA commitments of US\$56.3 billion, of which US\$32.5 billion was directly for COVID-19 crisis response while the remainder targeted related threats to food security, natural disasters and other urgent development priorities. Over the same period, IFC delivered financing of US\$21.8 billion including mobilizations and short-term finance.<sup>3</sup> This includes US\$4.5 billion from the IFC Fast-Track COVID-19 Facility (FTCF) encompassing trade finance (Global Trade Finance Program – GTFP) commitments, direct financial support for existing real sector clients, and working capital solutions to small and medium-sized enterprises (SMEs) through local financial institutions. Over the same period, MIGA delivered financing of US\$5 billion, including US\$3.7 billion from its COVID-19 Response Program.

Bringing together three stages – *Relief, Restructuring and Resilient Recovery* – and four pillars, the WBG’s crisis response has supported selective, customized client engagement across the diverse WBG client base. Using its global convening role, the WBG’s crisis response has complemented and supported a diverse coalition of local and international organizations on priorities such as deployment of vaccines, achieving debt sustainability and helping countries manage debt vulnerabilities

<sup>3</sup> As of February 28, 2021, IFC delivered US\$25.1 billion.

and fiscal space, and supporting FCV countries and Small States as well as providing support to vulnerable communities, including refugees and internally displaced persons.

In the crisis response, the WBG has reinforced the work on the jobs and economic transformation (JET) agenda given the high unemployment levels generated by COVID-19, as well as maintaining a strong focus on gender across all four pillars. Furthermore, all elements in each pillar of the WBG crisis response are being designed in an FCV-sensitive manner. In addition, the crisis has reinforced the relevance of good governance and institutions. Working as One WBG, the approach also emphasizes selectivity and public-private joint interventions to scale up private sector solutions while staying focused on results. To support the recovery and long-term development prospects of client countries, a sharpened focus is being put on the four cross-cutting issues under IDA19: debt, technology, human capital and disability inclusion.

Across the WBG, knowledge, learning and innovation have been shaping the WBG COVID-19 response, and are central to scaling up development impact in a post COVID-19 world. This has involved stepping up analytical and advisory services to help countries manage crisis challenges and connecting across government and the private sector – linking initiatives and helping build platforms to support safe reopening, restructuring and recovery. The WBG has also contributed to shape global action, harnessing knowledge across and within its institutions and enabling an unprecedented scaling up of the operational response to the pandemic.

**3. *The WBG has also made strong strides in operationalizing the IDA19 special themes, the capital package policy commitments, and MIGA’s and IFC’s 3.0 strategy.***

IDA19 implementation to date has been strong, with good progress made on its policy commitments notwithstanding the challenges the COVID-19 crisis has presented in delivering them. Implementation of the IBRD and IFC capital package policy commitments is on track, providing a solid foundation for reaching the capital package targets over FY19-30. Continuing to implement IFC 3.0 and fundamentally reshape core elements of its business model, IFC has made rapid strides in accelerating Upstream implementation and its business model in 2020 and Upstream project development aimed at increasing the pipeline of bankable transactions across client countries – particularly in IDA countries and FCS, in addition to its traditional approach to financing projects. MIGA remains in a strong financial position and is implementing its FY21-23 strategy.

Management has provided updates to the Board on the implementation status of commitments under the Forward Look, the IBRD and IFC capital package<sup>4</sup> and IDA19 implementation<sup>5</sup>.

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<sup>4</sup> “World Bank Group, IBRD-IFC Capital Package and the Forward Look Implementation Update”, SecM2020-0216 IFC/SecM2020-0148, dated September 3, 2020.

<sup>5</sup> “Financing Options for IDA Countries”, IDA/SecM2021-0018, January 25, 2021.

Management also delivered Regional and Practice Group Updates. Broadly, the WBG has developed the following:

- Prioritized support to countries at the lower to middle range of the income spectrum, including by increasing its support for Sub-Saharan Africa, FCS and Small States, while delivering an unprecedented level of financing.
- Continued to play a leadership role in promoting innovative responses to issues where coordinated global action is critical, including by: (i) significantly enhancing its approach to FCV situations; ii) continuing to lead on the global climate agenda, including by substantially scaling up financing to tackle climate change and progressing in the climate commitments; (iii) supporting clients to close gender gaps, including by considering gender gaps in COVID-19 projects; (iv) updating the strategic framework for knowledge to enhance impact at the country level and contribute to knowledge as a global public good (GPG); and (v) strengthening its support for regional integration and the delivery of GPGs.
- Scaled up its efforts to help create markets at scale, by combining a thorough understanding of the constraints to private sector solutions and the strategic targeting of interventions coordinated across the WBG, including by developing a long-term pipeline of projects across regions and industries and supporting policy reform to eliminate obstacles to private investment. IFC closely monitors Upstream engagement and has introduced a new metric in the Corporate Scorecard “Upstream 5-year Cumulative Investment O/A Pipeline” with a FY21 target of US\$10 billion to measure the contribution of Upstream to the investment program.
- Maintained momentum on the Cascade approach, a vital organization tool to support alignment and sequencing of public and private sector actions. WBG sector groups in Agribusiness, Housing, Transport, Power, among others meet regularly to develop joint approaches to promote sustainable private sector solutions. Efforts continue to further embed the Cascade approach in WBG operations, including through the country planning cycle and staff incentives structures.

The WBG has also made progress in reshaping its business model by adjusting structure, strengthening financial sustainability and achieving productivity gains. Efforts during FY21 include the WB realignment of Regional Practice Units in Operations in FY21. In addition, IFC has continued measures to reshape its staffing pyramid, as well as implementing streamlined procedures for the COVID-19 crisis response facilities, which significantly reduced processing times, improved efficiencies and generated valuable lessons for IFC’s mainstream business.

4. *The WBG has outlined an integrated approach to help client countries promote a green, resilient and inclusive recovery and development in IDA and IBRD countries in the post-COVID-19 world.*

As presented in the WBG Paper “From COVID-19 Crisis Response to Resilient Recovery”,<sup>6</sup> the WBG has outlined an integrated approach to **promoting a strong and durable recovery and growth through green, resilient, and inclusive development (GRID)**. Building on the progress towards *Resilient Recovery* under Pillar 4 of the WBG Crisis Response, GRID provides a longer-term framework for enabling the needed economic and social transformations. The scale and complexity of the challenges are such that an integrated framework that emphasizes interlinkages among the immediate and longer-term challenges is needed, to deliver a growth path that is broad based and sustainable. This approach is aligned with, and complements, the IDA19 Special Themes and Cross-cutting Issues as well as IBRD and IFC capital package targeting focus areas.

The transition from crisis to recovery will be very challenging and will require coordinated interventions across three areas: first, investing in all forms of capital to scale up investments to reverse the collapse of economies and for the significant shifts needed for transformation; second, implementing macroeconomic and structural policies, institutional strengthening and technological innovation to enable the transition; and third, mobilizing capital at scale, especially from the private sector.

The WBG will help clients make this transition in the three important dimensions to **promote green, resilient and inclusive development** (see Figure B): (i) by promoting sustainable growth through investments that eliminate (or mitigate) the adverse side effects of activities that threaten future growth; (ii) by preparing for, mitigating and adapting to a wide range of risks and uncertainties, including recessions, food price shocks, natural hazards, pandemics, and vector-borne diseases; and (iii) by ensuring that the recovery does not leave anyone behind which in turn can help reduce disparities in opportunities and outcomes and help historically excluded groups to realize a fair share of benefits.

With its broad development mandate and global reach, the WBG is well placed to support client countries in this transition. The broad contours of a recovery were first described in the WBG COVID-19 Crisis Response Approach Paper.<sup>7</sup> The subsequent IDA Building Back Better paper, the IFC paper on a green reboot for emerging markets (EMs)<sup>8</sup> and the forthcoming Climate Change Action Plan 2021-2025 also recognize sustainability as critical for development and poverty reduction. The GRID approach highlights areas where further attention is especially important and essential to sustain and build upon the recovery, and systematically addresses the interrelations among these

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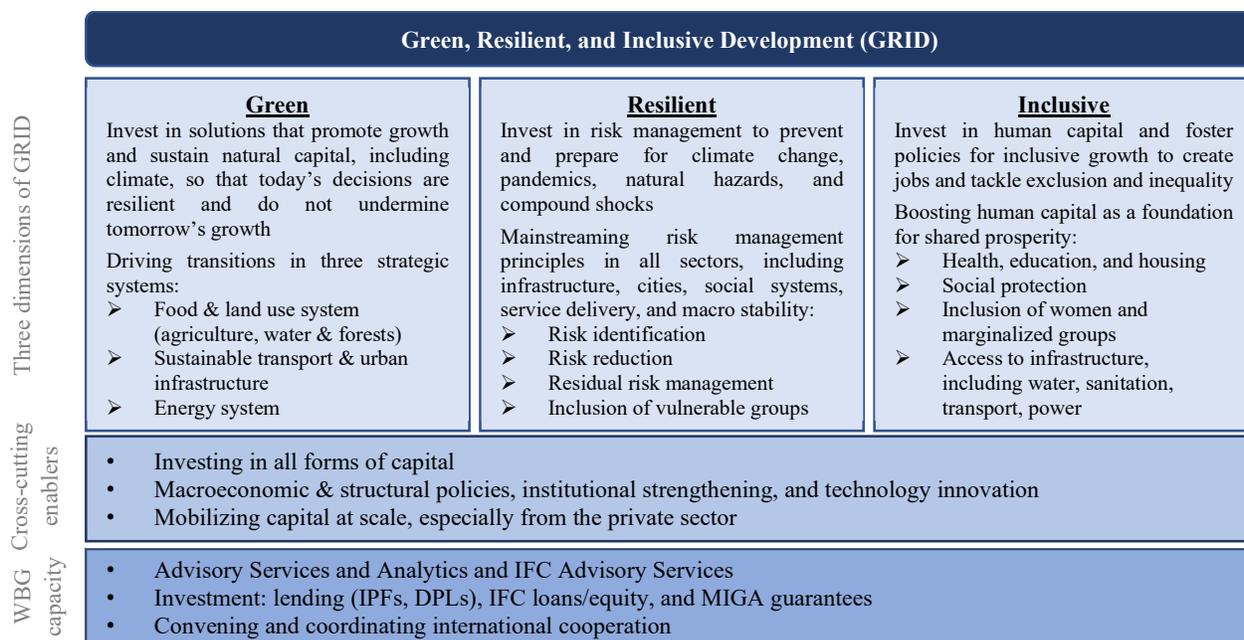
<sup>6</sup> “From COVID-19 Crisis Response to Resilient Recovery - Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID)”, SecM2021-0047, February 25, 2021.

<sup>7</sup> “Saving Lives, Scaling-up Impact and Getting Back on Track”, WBG COVID-19 Crisis Response Approach Paper, June 2020.

<sup>8</sup> “A Green Reboot for Emerging Markets. Key Sectors for Post-COVID Sustainable Growth”, IFC. 2021.

areas. As such, the approach remains fully aligned with corporate strategic directions to achieve the Twin Goals of eliminating extreme poverty and promoting shared prosperity in a sustainable manner.

FIGURE B: THE GRID APPROACH



**5. The WBG has provided regular reports on the implementation of the crisis response and corporate priorities and on results and performance.**

Management has been reporting regularly to the Board on the implementation of the WBG crisis response. Management also provided updates to the Board on the implementation status of commitments under the IBRD and IFC capital package<sup>9</sup> and IDA19 Implementation<sup>10</sup> which highlighted noteworthy progress in delivering on related commitments. Regional and Practice Group updates to the Board have also highlighted progress on several fronts. In addition, the WBG and individual WB, IFC and MIGA Scorecards report annually on results and performance of the WBG institutions against our global and corporate priorities. The results indicate that the WBG is performing well across key indicators, and intensifying efforts to help clients respond to the global pandemic.

## II. STRATEGIC ALIGNMENT OF RESOURCES AND WBG INDICATIVE PLANNING TRAJECTORIES

**6. Through the “W” process, the WBG institutions coordinate their strategic planning, performance monitoring and budgeting processes.**

Alignment with the WBG strategic priorities continues to guide WBG client engagement and its planning and resource allocation process. The annual “W” strategy and planning process serves to align resource allocation with WBG goals and strategy. The delivery of a strong and durable recovery is the focus of the FY22-24 planning and budgeting cycle. Specifically, the WBG will continue to support clients in pandemic recovery and long-term development needs, replenish knowledge and analytics, integrate policy and corporate commitments

<sup>9</sup> “World Bank Group, IBRD-IFC Capital Package and the Forward Look Implementation Update”, SecM2020-0216 IFC/SecM2020-0148, dated September 3, 2020.

<sup>10</sup> “Financing Options for IDA Countries”, IDA/SecM2021-0018, January 25, 2021.

into operational products, and enhance capacity to support clients. These priorities inform the three institutions' resource allocation and budget trajectories.

**7. *Across the World Bank, IFC and MIGA, common themes and shifts have emerged in the strategic planning process.***

Although serving our clients in different ways, the three institutions follow common themes and are facing similar internal and external shifts. These common threads are: (i) a substantial program growth in priority areas as envisaged in the COVID-19 crisis response, capital package, the IDA lending scale up, especially in poorer and smaller countries and those affected by fragility, conflict and violence; (ii) a more strategic use of knowledge work at the global, regional and country level; (iii) a strengthened operating model to simplify matrix interactions, lines of accountability and decision making while also adjusting the Group's global footprint and the grade mix; and (iv) a continued focus on efficiency.

**8. *The WBG institutions are actively pursuing synergies and complementarities.***

The World Bank (WB), IFC and MIGA are working closely together in several areas where synergies and complementarities are being actively pursued, leveraging each other's strengths. In operations, the institutions are collaborating closely on the COVID-19 crisis response, including on vaccines; on debt relief and restructuring; and on green growth. The institutions are also continuing complementary and integrated work to strengthen/create markets and overcome obstacles that block private sector solutions. They are better coordinating analytical and advisory activities, especially for upstream work; coordinating human resource policy changes; maximizing use of available space to accommodate global footprint changes; leveraging economies of scope for services provided by the Bank's IG&A units to the other institutions using an agreed shared services framework; leveraging economies of scope for work related to transition for ERP system replacement and other systems developments; and jointly working on the efficiency agenda and identification of productivity improvements and savings. The recent realignment at the World Bank, IFC's increased focus on working upstream and country-driven budgeting, and MIGA's deepening partnership with the Bank and IFC are complementary and will promote stronger joint program delivery.

**9. *The WB Strategy and Business Outlook paper and the IFC and MIGA Business Outlook Updates set out the planned work programs and budget trajectories for FY22-24.***

The WBG institutions' Strategy and Business Outlook (SBO) and Updates papers outline the strategic priorities and business outlook, and provide high-level budget trajectories required to achieve the respective strategic priorities. The World Bank's SBO paper focuses on the strategic priorities to deliver a strong and durable recovery against which the FY22-24 planning and budgeting process will be aligned. IFC's SBO Update outlines the effects of COVID-19 on both the private sector in emerging markets and IFC's business, as well as opportunities that result from it, and presents IFC's FY22-24 strategic priorities to support a green, resilient and inclusive recovery. The MIGA SBO Update presents progress against the FY21-23 strategy for the Agency. In addition, the papers discuss pressure points arising from increasing costs of doing business and the organizational, efficiency and financial sustainability measures being pursued so that the institutions have sufficient resources to successfully implement WBG-wide and institutional priorities.

## EXECUTIVE SUMMARY

*IFC provides the Board with a Strategy and Business Outlook (SBO) every three years detailing the Corporation's strategic direction, with SBO Updates in the intervening years reporting on implementation and performance. This FY22-24 SBO is an Update to the FY21-23 SBO paper and outlines the impact of COVID-19 on IFC's operations, priorities for the FY22-24 period, and program and budget outlook.*

The impact of the COVID-19 pandemic on private enterprises across emerging markets has been severe. IFC has implemented a strong and rapid response to COVID-19, through a variety of initiatives intended to support private sector clients. As part of the WBG's goal of US\$160 billion in exceptional support between April 2020 and June 2021, IFC has delivered over 50 percent of its US\$47 billion target as of February 2021.

The private sector is vital to a resilient economic recovery from the pandemic, particularly as government balance sheets are increasingly constrained. IFC's experience, including during previous crises, combined with the internal reforms implemented over the last four years under IFC 3.0, enable IFC to play a strong role in the post COVID-19 recovery. A key finding from the 2008-09 Global Financial Crisis (GFC) was that IFC's interventions as a financier and honest broker can have a strong signaling effect, helping to restore market confidence, and accelerating the return of private capital to emerging markets. Anchored in the framework of *Relief, Restructuring and Resilient Recovery*, IFC's response to the COVID-19 pandemic has been focused on helping clients, both existing and new, weather the impact of the pandemic, rebuilding markets, preserving jobs, and enabling long-term private sector interventions once pandemic impacts subside. Deploying this response requires IFC to leverage its full suite of products. IFC is using its traditional financing (IFC 1.0 and 2.0), to step up support to new and existing clients, providing the financing and advisory services needed to sustain and grow operations. Concurrently, IFC is accelerating execution of IFC 3.0 by scaling Upstream efforts, particularly in IDA and FCS markets, prioritizing mobilization from new sources and enhancing collaboration across the WBG through the Cascade approach to help countries build a pipeline of impactful private sector solutions. IFC will continue to leverage the portfolio approach to optimize development impact and financial sustainability for long-term impact.

IFC's priorities over the FY22-24 period are to (i) continue relief and restructuring support for clients; (ii) help build resilient health systems to expand manufacturing and supply chains for vaccines; (iii) scale up efforts for a green, resilient, and inclusive recovery, especially in IDA-FCS markets; and (iv) maximize Upstream efforts (working across the WBG) to strengthen and create markets through reforms that may not have been previously possible, along with replicable and scalable platforms and projects, to pave the way for private sector recovery. Since climate change impacts, which have been compounded by the pandemic, necessitate an exceptional and urgent response, IFC will prioritize climate change mitigation and adaptation as the underpinnings of a durable post pandemic recovery.

IFC remains committed to its 2030 Capital Package ambitions. However, continuing volatility in program delivery is expected, with program composition mirroring market developments at the country and sector level. IFC's traditional project and corporate finance business has slowed, with many large infrastructure and manufacturing projects on hold. The heterogenous nature of the pandemic, with some regions recovering faster than others, is resulting in a shift in investment demand across regions. There has been an increase in working capital and liquidity needs as well as re-financing. Reflecting this outlook, IFC has revised FY22, FY23 Long-term Finance own-account program targets – maintaining a stable target from FY21 to FY22 – and then returning to a growth trajectory in FY23. Short-term Finance targets have been revised upward for FY22-24 in view of growing demand.

IFC 3.0 is a resource-intensive strategy and incurs higher costs over traditional business delivery. Resource investments made today are critical, not for current year delivery, but for IFC's ability to deliver on the longer-term 2030 goals. To maintain the pace of IFC 3.0 implementation, IFC's administrative budget will be used to support continuation of planned hiring in priority areas such as Upstream, IDA-FCS markets, and specialist skill sets, with some calibration of the hiring pace given the prolonged COVID-19 environment. Significant efficiencies as per the 2030 Capital Package targets are on track, supporting investment in strategic priorities.

# CHAPTER 1. UPDATE ON COVID-19 IMPACT AND IFC'S RESPONSE

## PRIVATE SECTOR IMPACTS<sup>11</sup>

1.1 Compounding the devastating health crisis and human toll of the pandemic, the economic shock resulting from COVID-19 has been profound. It has pushed the global economy into one of the deepest recessions in modern history and dramatically changed the global development outlook. In particular, the impact of the pandemic on investment and human capital is expected to erode growth prospects in emerging market and developing economies (EMDEs) and set back key development goals, pushing an estimated 150 million additional people into extreme poverty by the end of 2021. While global output is expected to expand by 3.9 percent in 2021-22, this is predicated on proper pandemic management and effective vaccination limiting the spread of COVID-19. EMDEs are forecast to rebound to an average growth rate of 4.6 percent in 2021-22. However, EMDEs output growth excluding China is forecast to be more subdued, at 3.5 percent in 2021-22, insufficient to reverse output losses experienced in 2020.

1.2 The pandemic has affected all countries, although impacts are highly disparate across countries. Since the outbreak of the pandemic, 37 developing countries have been downgraded by one or more of the three largest credit rating agencies. The regions with high reliance on oil and industrial exports, tourism, and remittances – Latin America and the Caribbean (LAC), Middle East and North Africa (MENA), and Sub-Saharan Africa (SSA) – are expected to face more difficulties in recovery. Recovery in IDA (International Development Association) and FCS (Fragile and Conflict-Affected Situations) markets is set to be even more sluggish, in part because the large-scale rollout of vaccines among these economies is expected to lag behind that of advanced economies and major EMDEs, and compounded by factors such as climate change and fragility.

1.3 Moreover, the level of fiscal stimulus has been uneven worldwide. Nearly 90 percent of the global fiscal response to the crisis has been in advanced countries.<sup>12</sup> On average, Low-Income Countries (LICs) provided 2.5 percent of their Gross Domestic Product (GDP) in COVID-19 response packages, while Middle-Income Countries (MICs) and advanced countries provided approximately 8 percent and 38 percent of their GDPs, respectively.<sup>13</sup> Sharp declines in government revenues and additional spending on stimulus packages have resulted in increasing vulnerabilities with a surge in fiscal deficits and record-high debt levels, thereby constraining the space for public investment and additional fiscal support as countries move into recovery. Hence, mobilizing private capital both in LICs and MICs is critical to boost growth, create jobs, and lay the foundations for a resilient recovery. The Cascade approach emphasizing private sector solutions, regulatory reform, risk mitigation, and Upstream sector and project development are essential in supporting private sector-led growth.

1.4 Impacts of the global contraction on the private sector have manifested through multiple channels: (i) a 28 percent decline in Foreign Direct Investment (FDI), with significant differences among regions;<sup>14</sup> (ii) a precipitous decline in global trade with supply chain disruptions;<sup>15</sup> (iii) reduced access to finance, especially for micro, small and medium-sized enterprises (MSMEs); and (iv) declining profitability, with more than 80 percent of EMDE firms reporting persistent declines in sales of about 49 percent in 2020 compared to the same period in 2019.<sup>16</sup> IFC estimates suggest that around half of real sector listed firms in EMDEs will face substantial refinancing needs in 2021.<sup>17</sup> The pandemic has also exacerbated gender gaps in health, social, and economic security. Globally, female job-loss rates are about 1.8 times higher than that of males, resulting in a

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<sup>11</sup> The values for all macroeconomic indicators are from “World Bank, 2021. *Global Economic Prospects*, January 2021. Washington, DC.”

<sup>12</sup> ILO, 2020. *ILO monitor: COVID-19 and the world of work*, 30 June 2020

<sup>13</sup> IFC Global Macro and Market Research (CGR) Department's estimates based on various IMF reports and data sources

<sup>14</sup> IFC CGR estimates based on IMF, WB and Central Bank Data. Cross-border syndicated loan data based on Dealogic.

<sup>15</sup> UNCTAD, 2020. “COVID-19: Global Trade Value Chains, Taxation and Recovery”, 6 November 2020.

<sup>16</sup> World Bank, 2020. “Unmasking the Impact of COVID-19 on Businesses: Firm Level Evidence from Across the World”, Policy Research Working Paper 9434, October 2020.

<sup>17</sup> IFC CGR based on World Bank's International Debt Statistics and other sources of financial data for listed firms (some LIC firms are omitted due to lack of data)

2.6 percent increase in female unemployment.<sup>18</sup> Broad impacts of the pandemic across key industries are set out in Table 1.

TABLE 1: COVID-19 IMPACT ON KEY INDUSTRIES

INFRASTRUCTURE & DIGITAL ECONOMY	MANUFACTURING, AGRIBUSINESS & SERVICES
<ul style="list-style-type: none"> <li>• Steep contraction in infrastructure investment with project finance volumes down by 43 percent in 2020<sup>19</sup></li> <li>• Deterioration in the financial situation of both private and public infrastructure providers in energy and transport due to depressed demand</li> <li>• Greenfield and capex investments delayed or cancelled</li> <li>• Increased demand for corporate finance/capital markets vs. traditional project finance</li> <li>• Internet traffic up 75 percent following pandemic-induced shut-down, straining networks</li> <li>• Increased demand for quality, reliable digital technology prompting emergency responses to ensure internet affordability and expanded access to online services</li> </ul>	<ul style="list-style-type: none"> <li>• Negative impacts across customer-facing industries – tourism, hospitality, real estate, non-grocery retail, non-COVID-19 related healthcare, manufacturing/automotive</li> <li>• Greenfield and capital investments delayed or cancelled</li> <li>• Liquidity and working capital constraints threatening sustainability of otherwise viable companies</li> <li>• Higher demand in agribusiness, food retail, pharmaceuticals, health services and industries linked to remote work – semiconductors, cloud and internet services, e-commerce, and distance learning</li> </ul>
FINANCIAL INSTITUTIONS	DISRUPTIVE TECHNOLOGY, VENTURE CAPITAL & PRIVATE EQUITY
<ul style="list-style-type: none"> <li>• Excess liquidity through central bank interventions injected low-cost liquidity to banks</li> <li>• Bank lending constrained due to: (i) suppressed corporate demand and (ii) risk aversion with concerns over rising non-performing loans (NPLs) at the end of government and central bank support programs (debt moratorium, fiscal support)</li> <li>• Spike in trade finance demand at the onset of the pandemic with levels now back to normal (new supply chains emerging such as medical/health distribution)</li> <li>• Increased demand for digital finance channels</li> </ul>	<ul style="list-style-type: none"> <li>• Contraction in EM private equity fundraising, although significant amount of dry powder available to be deployed in the near term in EM</li> <li>• Huge momentum in digital/tech-enabled businesses, digital business models and venture capital, creating cross-cutting opportunities to lower costs while reaching broader market segments</li> </ul>

1.5 While COVID-19 has disrupted many sectors, it has created new opportunities in others. The increase in digital demand from economic shutdowns has led to a 50 percent growth of the global mobile network between CY19 Q3 and CY20 Q3.<sup>20</sup> The pandemic has underscored the critical importance of the digital economy, with important implications for the future of work, employment, productivity, government services, online retail, and access to products and services.

1.6 As part of the recovery from the structural damage of COVID-19, there has also been widespread support for green, resilient, and inclusive development (GRID), fueled by sustainable job creation and economic transformation through low-carbon investments and associated policy reforms with an emphasis on attracting private sector investment in real sectors. The demand for health services and related manufacturing (such as personal protective equipment (PPE), medical equipment, and vaccines) has also risen. The pandemic has highlighted the urgent need to strengthen the resilience of supply chains and support local/regional manufacturing in EMDE healthcare sectors, both to address the immediate impacts of the crisis and for long-term health outcomes.

## IFC’s COVID-19 RESPONSE UPDATE AND BUSINESS IMPACTS

1.7 *COVID-19 Response.* The Independent Evaluation Group’s (IEG) evaluations<sup>21</sup> of IFC’s response to past crises indicate that: (i) IFC’s additionality and development impact have been stronger following a crisis, and (ii) IFC’s effectiveness has been more pronounced when it acted quickly to adapt its strategies, programs,

<sup>18</sup> McKinsey, 2020. “COVID-19 and gender equality: Countering the regressive effects” by A. Madgavkar, O. White, M. Krishnan, D. Mahajan, and X. Azcue

<sup>19</sup> IFC analysis based on the IJGlobal database.

<sup>20</sup> Ericsson, 2020. *Ericsson Mobility Report*, November 2020

<sup>21</sup> Independent Evaluation Group, 2017. *Crisis Response and Resilience to Systemic Shocks. Lessons from IEG Evaluations.*

and exposure to deteriorating economic conditions. With these lessons in mind, IFC has mounted a strong and rapid response to the COVID-19 pandemic, quickly adjusting its operating model and introducing innovations and expedited procedures for new business, portfolio, and analytics. As a result of these improvements, IFC has deployed US\$25.1 billion in total financing from FY20Q4 to February 2021, including mobilization and short-term finance, of which US\$11 billion was directly related to COVID-19 relief (see Table 2).

1.8 Launched in March 2020, IFC’s Fast-Track COVID-19 Facility (FTCF)<sup>22</sup> for existing clients has focused on providing trade, working capital, and liquidity to keep viable companies in business and preserve jobs. As of February 2021, IFC has deployed a total of US\$4.5 billion of own-account financing under the FTCF, of which 48 percent was in IDA and FCS markets, with an additional US\$736 million in mobilization.

TABLE 2. IFC’S COVID-19 RESPONSE (MARCH 2020 – FEBRUARY 2021)

Total Own Account + Core Mobilization: US\$11 billion					
Cumulative Commitments as of February 28, 2021	Own Account (US\$ mn)			Core Mobilization (US\$ mn)	Project Count
	Vol. (US\$ mn)	o/w IDA17+FCS (US\$ mn)	IDA17+FCS %		
Real Sector Envelope (RSE) – LTF	812	279	34%	174	28
Working Capital Solutions (WCS) – LTF	1,323	683	52%	162	29
Global Trade Liquidity Program (GTLP) – LTF	400	96	24%	400	1
Global Trade Finance Program (GTFP) – STF	2,000	1,140	57%	n/a	n/a
<b>FTCF Total</b>	<b>4,535</b>	<b>2,198</b>	<b>48%</b>	<b>736</b>	<b>58</b>
GTFP Broader Crisis Response	4,226	2,940	70%	n/a	n/a
Other*	1,328	372	28%	177	17
<b>COVID Financing Outside of the FTCF*</b>	<b>5,554</b>	<b>3,311</b>	<b>60%</b>	<b>176</b>	<b>17</b>
<b>Total</b>	<b>10,089</b>	<b>5,509</b>	<b>55%</b>	<b>912</b>	<b>75</b>

Note: The blue inner box indicates instruments included in the FTCF.

\* Includes commitments approved outside of the FTCF under Regular and Absence of Objection (AOB) Board procedure. As of February 28, 2021, no commitments had yet been booked under the Base of the Pyramid program and the Global Health Platform.

1.9 In February 2021, an extension of the FTCF was approved by the Board, a US\$400 million Base of the Pyramid (BOP) program<sup>23</sup> that will support financial service providers reaching the hardest-hit segments, specifically MSMEs and women-owned businesses.<sup>24</sup> The BOP program will focus on existing and new IFC clients in good standing: micro financial institutions (MFIs), non-bank financial institutions (NBFIs), and MSME-focused banks with sound fundamentals, supported with blended finance from IDA-PSW for risk mitigation where needed. IFC has deployed a further US\$5.6 billion (including US\$176 million of mobilization) in COVID-related financing outside of the FTCF, which includes predominantly trade finance under the Global Trade Finance Program (GTFP).

1.10 Launched in July 2020, the Global Health Platform (GHP) is a US\$4 billion facility dedicated to supporting access to critical healthcare products and services, expansion of manufacturing and delivery capacities for healthcare products including vaccines, and strengthening resilience of health systems through diversification of regional and local supply chains, for both existing and new clients. The first project, *A-MEF RSF* – comprising multiple risk-sharing facilities with up to US\$150 million to help a large number of healthcare SMEs reinforce their infrastructure for critical care – was approved by the Board in November 2020.

1.11 *Program.* Although demand for IFC’s COVID-19 crisis response and short-term financing has been strong, the impact of the pandemic has adversely affected IFC’s traditional business, mirroring trends occurring in the private sector at large. During CY20, IFC’s loan commitments – own-account and mobilized funds – decreased by 13 percent compared with CY19, in line with the 12 percent decrease in cross-border

<sup>22</sup> IFC/R2020-0052

<sup>23</sup> IFC/R2021-0006

<sup>24</sup> The BOP has been approved to use US\$130 million of IDA19 PSW and other blended finance solutions to de-risk the credit and foreign currency exposures of financial service providers to the base of the pyramid in PSW-eligible countries.

syndications in EMDEs, although there was significant variance across regions. In particular, while cross-border syndicated bank lending flows dropped in East Asia and the Pacific (EAP) (-16 percent and -40 percent excluding China), MENA (-40 percent), and SSA (-46 percent), IFC's investments in these regions increased (46 percent in EAP, 67 percent in MENA, and 19 percent in SSA) reflecting IFC's countercyclical efforts. In line with the same trend in loan commitments, IFC's equity investments decreased by 17 percent in CY20 compared to CY19. Yet this was much less substantial compared with the 28 percent drop in FDI flows in EMDEs in CY20.

1.12 Broadly, IFC's project and corporate finance business has seen a slowdown since the onset of the pandemic, driven by weakened demand, smaller project sizes, and the steep contraction in capital investment activity. Globally, many leading infrastructure sponsors are taking a "wait and see" approach to new projects, resulting in lower commitments for IFC. However, there has been a significant increase in telecom and digital and tech-enabled businesses and their activities. Investment commitments in Manufacturing, Agribusiness, and Services (MAS) accelerated, with the strongest increases in Tourism, Retail & Property (TRP), Health Services & Life Sciences, and Manufacturing, reflecting high demand for liquidity and maintenance financing. Syndications, historically the largest contributor to core mobilization, has been negatively impacted by the shift in loan origination to own-account commitments, the global contraction in new investment, in particular project finance, and smaller project sizes.

1.13 *Operations.* Since the onset of the crisis, IFC has quickly adjusted its operating model, devising innovations to enable continued program delivery and introducing expedited procedures for new business, portfolio, and analytics. In the case of the IFC Fast-Track COVID-19 Facility, for example, IFC applied streamlined internal processing, faster decision-making, virtual or desk appraisals and delegated approval authority from the Board, to accelerate support to eligible portfolio clients. In another example, IFC MAS teams are partnering with the Interactive Media Team at the World Bank's Global Corporate Solutions Unit to deploy 360-degree cameras for virtual project appraisals and monitoring. Since May 2020, 21 cameras have been deployed by 22 MAS projects in 13 countries across regions. IFC recognizes that it needs to rigorously monitor, reassess, and adjust these solutions to support efficient delivery without sacrificing the integrity of its risk management.

## BUSINESS OUTLOOK

1.14 IFC's program in the FY22-24 planning period will be delivered under deep uncertainty about the global and EM outlook. IFC expects volatility in program delivery over the near-term, with program composition mirroring market developments at the country and sector level. Investment demand, at least in the near term, is expected to remain oriented toward more liquidity support, working capital, and short-term finance, essential until the economic restart is fully fledged. Refinancing and restructurings are also expected to increase in order to keep viable firms afloat. A higher demand for risk-sharing facilities and capital relief for banks and FIs to deploy liquidity in sectors where risk aversion has weakened the credit supply is expected, as also for equity and mezzanine products. Immediate and next year deployments are expected to be tilted toward trade finance and working capital facilities (with tenors of three years or less) while the proportion of long-term investments (beyond three years) is expected to gradually increase as economies restart. Equity and mezzanine instruments will be particularly important products to strengthen banks' and companies' balance sheets so that they, in turn, can support the economic recovery through increased risk appetite for growth and long-term investments.

1.15 As pandemic impacts are disparate across countries, IFC is witnessing a higher investment demand from non-IDA markets and weaker volumes from IDA-FCS markets. IFC expects this trend to continue in the near-term as non-IDA markets are likely to emerge faster from the throes of the economic crisis. IDA-FCS countries are expected to continue to drive a growing share of short-term finance demand. IFC's program in non-IDA countries will be critical to the Resilient Recovery stage given the vital role of these countries in global supply chains, tourism, travel, and remittances. Clients in IDA and FCS markets tend to have weaker digital capacity, making it more difficult for IFC to apply new "virtual" operating models and delaying the resumption of business operations. IFC's efforts in IDA and FCS countries will be focused on Upstream

engagement, laying the groundwork for private solutions once the immediate crisis impacts subside along with the use of blended finance to support investments. More financing demand is expected from the real sector, with a relatively sluggish recovery in infrastructure, as large infrastructure projects currently on hold or delayed are eventually resumed. In the near term, IFC expects smaller project sizes with lower average project volume. IFC also expects lower mobilization ratios with higher own-account volume as the syndications markets recovers, infrastructure demand resumes, and project sizes increase.

1.16 Uncertainty around the pandemic and the pace and shape of recovery will cloud IFC’s near-term planning horizon. Key sources of uncertainty include (i) resolution of the pandemic – pace of progress in reversing the health crisis and accelerating vaccination efforts; (ii) timing and extent of resumption of domestic and external demand – especially in the Infrastructure and Real sectors; (iii) timing of removal of government economic and financial support measures; and (iv) capacity and agility of firms to restructure businesses and balance sheets (not homogenous across markets). Past experience demonstrates that crises can present opportunities to reach new clients, with rewards for risk taking and strong impact.<sup>25</sup> IFC intends to leverage the opportunities created by the COVID-19 crisis to scale up interventions in sectors positively impacted by the pandemic (such as the digital economy) and promote a strong and durable recovery through green, resilient, and inclusive development.

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<sup>25</sup> Independent Evaluation Group, 2017. *Crisis Response and Resilience to Systemic Shocks. Lessons from IEG Evaluations.*

## CHAPTER 2. IFC’S STRATEGIC PRIORITIES FOR FY22-24: LEANING IN

2.1. IEG’s evaluation of the WBG response to the 2008-09 Global Financial Crisis (GFC),<sup>26</sup> noted that key IFC interventions – for instance, visible restructurings of major industrial clients or large syndications of commercial bank loans that capitalize on IFC’s reputation as an investor and honest broker – can have a strong signaling effect to help restore market confidence. From the lessons of experience from the GFC, IFC has a unique and vital role to play in leading the recovery of private capital flows to EMDEs. IFC 1.0 and 2.0 are expected to play a critical role in aiding the resumption of capital flows. Before the onset of COVID-19, development finance was changing fundamentally, with a growing focus on the private sector, the concentration of extreme poverty in a select number of countries, and the gap shifting from insufficient finance to a lack of bankable projects. IFC 3.0 embraced this challenge by complementing IFC’s traditional project finance approach with a proactive emphasis on creating markets and private sector opportunities through Upstream project development, and by mobilizing private capital, especially in IDA and FCS markets. Today, as the pandemic has led to an even deeper contraction in private sector economic activity across EMDEs, IFC 3.0 and its ability to help recreate and create new markets has positioned IFC to respond comprehensively to the crisis while pursuing the ambitious commitments of the 2030 Capital Package.

2.2. In line with the agenda outlined in the FY21-23 SBO<sup>27</sup> of comprehensive program growth, accelerating Upstream efforts and improving the business model, IFC’s main objective in the FY22-24 planning horizon is to help clients weather the impacts of the pandemic, preserve jobs, and rebuild resiliently. IFC’s FY22-24 priorities, anchored in the framework of *Relief*, *Restructuring* and *Resilient Recovery*, are to: (i) extend relief and restructuring support for existing and new clients; (ii) help build resilient health systems to expand manufacturing and supply chains for vaccines; (iii) scale up efforts for a green, resilient, and inclusive recovery, especially in IDA-FCS markets; and (iv) maximize Upstream efforts (working across the WBG) to strengthen and create markets through reforms that may not have been previously possible, along with replicable and scalable platforms and projects, to pave the way for private sector recovery. A summary of key interventions planned under the three stages of the COVID-19 response is shown in Figure 1. As part of its founding principles, IFC is required to be profitable and additional, and this requirement will continue to inform IFC’s operations.

### RELIEF

2.3. IFC will extend *Relief* efforts to support both new and existing clients, selectively focusing on viable real sector companies, FIs and NBFIs to help keep them afloat and preserve jobs. Support in the *Relief* stage will be deployed through existing COVID-19 facilities and programs to provide liquidity lines, working capital, and trade finance for the most hard-hit sectors.

2.4. The renewal of trade is both dependent on and contributory to EMDE recovery efforts. Digitization, changes in supply chains, and open account financing are expected to make significant shifts in the global structure of trade, and IFC aims to support and leverage these opportunities with increased trade finance and working capital solutions. IFC is working to assist several countries to import COVID-19 vaccines and associated goods under the GTFP. In addition, the expansion of supply chain finance is a key aspect of IFC’s efforts to address food security. Most agribusiness enterprises rely on access to short-term financing due to the underlying working capital intensity of the sector. For example, the lack of appropriate financing, supply-side limitations, and slackening demand, are expected to negatively impact (non-horticulture) commodity exports in SSA over the next 12 months (including cotton, cashew, vanilla, cocoa, and the like). In response to these developments, IFC’s Global Trade Supplier Finance Facility (GTSF) is expanding its operations with a strong emphasis on IDA based suppliers.

2.5. *Supporting WBG COVID-19 Vaccine Response & Resilience in Healthcare.* The private sector is already playing a vital role in accelerating vaccine manufacturing and deployment efforts – addressing supply

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<sup>26</sup> Independent Evaluation Group. 2011. *The World Bank Group’s Response to the Global Economic Crisis: Phase 1*.

<sup>27</sup> IFC/SecM2020-0035

constraints affecting the availability of raw materials, licensing limitations, manufacturing capacity, distribution, and delivery. Through continued rollout of the GHP and new Upstream projects and partnerships, IFC plans to augment private sector efforts in vaccine deployment and improve resilience in EMDE healthcare sectors with financing solutions to manufacturers, suppliers, and service providers for capacity expansion and working capital to increase the supply of healthcare products and services including testing kits, treatment medicines and vaccines.

FIGURE 1: IFC COVID-19 RESPONSE: RELIEF, RESTRUCTURING AND RESILIENT RECOVERY

RELIEF	<ul style="list-style-type: none"> <li>• Ongoing deployment of working capital and liquidity support under the FTCF</li> <li>• GHP – with a focus on health care manufacturing and services in response to COVID-19</li> <li>• BOP – working capital, liquidity lines to support MFIs, NBFIs</li> <li>• Expanded trade finance (new supply chains)</li> <li>• Portfolio support via selective payment deferral requests from portfolio clients as part of suspension arrangements</li> </ul>
RESTRUCTURING	<p><b>Financial Institutions (FIs):</b></p> <ul style="list-style-type: none"> <li>• Capital relief instruments, equity, and mezzanine to strengthen/restructure FI balance sheets and restore credit to the private sector and expand long-term lending</li> <li>• Capital Markets solutions to crowd in new sources of financing – for both FIs and real sector</li> </ul> <p><b>Real Sector:</b></p> <ul style="list-style-type: none"> <li>▪ Long-term finance (debt, mezzanine, equity, risk sharing &amp; credit enhancement) to protect/restructure viable firms impacted by liquidity constraints</li> <li>▪ Refinancing to viable firms critical for their survival to help ease the burden of debt servicing as per pre-COVID-19 schedules</li> </ul>
RESILIENT RECOVERY	<p><b>IFC 3.0 is critical to supporting the private sector in a green, resilient, and inclusive recovery:</b></p> <ul style="list-style-type: none"> <li>• Working Upstream and leveraging WB and IMF for regulatory reforms, to maintain and create the conditions needed for private sector solutions and investment opportunities to help countries rebuild resiliently in the years ahead, with a focus on green approaches</li> <li>• Scaling up advisory services at the firm/market/sector levels to build capacity and develop private sector opportunities, especially in IDA &amp; FCS countries</li> <li>• Scaling up mobilization through AMC and MCPP platforms; developing new facilities to encourage investors into EMs</li> <li>• Expanding treasury offerings to deepen local capital markets and reduce currency risks</li> <li>• Utilizing blended finance to de-risk and enable much larger private capital, where needed, including through the IDA Private Sector Window for investments in LICs</li> </ul>

**RESTRUCTURING**

2.6. The focus of IFC’s support under the *Restructuring* phase of the COVID-19 response is on preserving markets and minimizing the scars from the pandemic. In the real sector, efforts will focus on restructuring and refinancing through the provision of long-term finance – including debt, mezzanine, equity, risk sharing and credit enhancement – to protect and restructure viable firms impacted by liquidity constraints – and broadening of capital markets solutions. For FIs, IFC will rely on capital relief instruments to strengthen and/or restructure FI balance sheets, revive credit supply to the private sector, and expand long-term lending as well as develop capital markets. In addition, across both the FI and real sectors, capital market solutions are emerging as a key tool to support refinancing.

2.7. Specific mechanisms for potential support will include: (a) funding for companies with fundamentally sound business models but requiring refinancing or restructuring in light of the crisis; (b) financial support to investee firms of private equity fund investments; (c) critical equity and through mezzanine capital instruments to strengthen or restructure balance sheets of banks and large firms; (d) investments in private equity and venture capital funds to support growing SMEs and start-ups – digital in particular; and (e) mechanisms to crowd-in institutional investors to provide access to liquidity through debt markets for EMDE firms at sufficient scale to limit downside economic risks from the pandemic and associated tightening in credit markets. Other programs and approaches to support larger corporates in hard-hit sectors such as Transport, Energy, Telecommunications, Water, Textiles and Tourism are under development. IFC will use its full suite of products – including scarcely used instruments such as extending loans to refinance existing debt and investing equity by purchasing existing shares – selectively, and as appropriate, with aiding the pandemic

recovery being the key driver for these engagements. IFC's ability to support viable firms through such mechanisms can be vital to their survival. Success in restructuring will require continued close collaboration across the WBG institutions to match the reforms needed on corporate debt restructuring, insolvency, and distressed asset markets. Upstream efforts are focused on solvency and debt resolution frameworks so NPLs can be resolved quickly allowing a speedier resumption of bank lending. Other efforts include accelerating the digital transformation by firms and FIs (including e-commerce and e-banking) and enabling market entry of new types of financial service providers, and strengthening and deepening capital markets.

2.8. To continue to focus on impact and profitability, restructuring opportunities will be evaluated by: (i) establishing eligibility criteria that prioritize support to viable companies in strategic sectors; (ii) clearly articulating the additionality of each investment; and (iii) adapting the Anticipated Impact Measurement and Monitoring (AIMM) approach to more accurately capture the incremental impact of IFC's financing against a counterfactual that reflects the likely alternatives to the client.

## RESILIENT RECOVERY

2.9. The April 2021 Approach Paper to the Development Committee on the WBG's COVID-19 response and way forward<sup>28</sup> lays out the WBG's framework for supporting green, inclusive and resilient development (GRID) in client countries. At the heart of this approach is an understanding of the linkages among sustainability, inclusion, and economic growth; the need to implement reforms today to avoid locking in unsustainable policies; application of the Cascade and the importance of crowding-in all available sources of financing to support green and inclusive models across all markets.

2.10. IFC will play a critical role in the implementation of GRID with IFC's FY22-24 program maximizing GRID approaches in both the mainstream investment program as well as through Upstream engagement. Upstream engagement is critical to building bankable opportunities linked to a country's medium-term development goals and aligned with GRID objectives that can be realized as the effects of the pandemic recede. While IFC pursues Upstream across all markets, COVID-19 has magnified the importance of Upstream project development in low-income IDA and FCS markets, which entered the pandemic with poor regulatory/investment climates and smaller, less capable private sectors.

2.11. *Upstream engagement to Create Markets and Opportunities.* The pandemic has added urgency to accelerate IFC's Upstream engagement. Significant work has already been done over the past year: dedicated Upstream staff have increased; country-driven resource allocation has been implemented to hardwire links among country strategy, budget, and delivery; the Upstream operating model is in place with robust metrics to track delivery and resource efficiency; IFC's Equitable Growth, Finance and Institutions (EFI) staff have been reintegrated into IFC operations to support Upstream efforts that require regulatory interventions; and AIMM is being applied to Advisory and Upstream activities to provide insights on how to maximize impact and how to select the most promising market creation opportunities. Upstream is still in its early days, and although positive results are emerging, a full return on this institutional investment will take nearly five years to materialize.

2.12. IFC's Upstream and investment work is complemented by traditional Advisory Services (AS) capacity. Together, IFC deploys its full capacity in a continuum of Enabling Environment Advisory, Upstream sector and project development, and Investment and Firm-level AS. IFC teams are systematically collaborating with the World Bank to provide input into the design of Development Policy Operations (DPOs) in order to embed reforms (frequently highlighted in Country Private Sector Diagnostics (CPSDs)) to pave the way for private sector activity in areas such as trade and competitiveness, battery storage, housing, fintech, infrastructure development, and food safety.

2.13. The COVID-19 pandemic has not altered but rather accelerated and added to existing priorities at the country and sector level. Leveraging and contributing to Sector Deep Dives, CPSDs, and IFC Country

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<sup>28</sup> WBG, 2021. "From COVID-19 Crisis Response to Resilient Recovery: Saving Lives and Livelihoods while Supporting Green, Resilient, and Inclusive Development (GRID)". Development Committee

Strategies, Global Upstream sector groups are working with Regional teams to prioritize actions for Upstream engagement. At the country level, IFC Country Strategies are driving the development of project pipelines across Upstream, Advisory, and Investment operations. IFC is putting in place tools to monitor the alignment between IFC Country Strategies and project pipelines.

2.14. *Green Recovery.* The pandemic has lent a strong impetus to addressing climate change. Well-designed green policies can create jobs, lift growth, and enhance resilience. The January 2021 IFC paper<sup>29</sup> on a green reboot for emerging markets finds that pursuing potential investment opportunities, job creation, and greenhouse-gas emissions reduction associated with a green recovery between 2020 and 2030 in select emerging markets could generate US\$10.2 trillion in investment opportunities, 213.4 million cumulative new direct jobs, and four billion tons of carbon dioxide reduction in greenhouse gas emissions. IFC is focused on a green rebuild approach, which prioritizes investments that create or sustain jobs in sectors that have the potential to play a key role in post COVID-green recovery efforts, including green energy, building climate smart cities, and speeding up the transition of key industries to green production practices (see Box 1). These sectoral interventions are financed with innovative instruments, including transition bonds (raises financing for activities that decrease a company’s carbon intensity, setting them on a path to further GHG reductions) and Blue Bonds (raises financing for activities in sanitation/water management and ocean conservation). In line with the WBG’s climate targets, IFC is pursuing an average of at least 35 percent of climate-related investments in own-account long-term finance (LTF) commitments over the FY21-25 period, as will be articulated in the FY21-25 WBG Climate Change Action Plan.

2.15. *Gender.* COVID-19 has had a disproportionate impact on women and girls. Delivering on an inclusive recovery requires creating private sector opportunities that provide equal economic access to all genders across regions, industries, and other thematic areas. IFC continues to actively implement the WBG Gender Strategy (2016-2023) and has made significant strides in integrating gender across its operations and within country focused strategies. A gender footprint now exists across all IFC industries and regions, and within its mainstream investment, advisory and Upstream business lines, in addition to the deployment of a range of financial instruments including debt, equity, and bonds. Results-oriented measures – such as capturing impact related to closing gender gaps and flagging gender commitments – have been implemented to deliver on IFC’s 2030 Capital Package commitments. A key pillar of IFC’s work is working proactively with both partners, such as UN Women, and with clients on preventing further deepening of inequalities as a result of COVID-19 in terms of financial inclusion, care, employment, gender-based violence, digital solutions, and entrepreneurship. For example, IFC Upstream teams are currently supporting the “Shared Workspace for Women” initiative as a means of increasing access to finance for female entrepreneurs in Egypt and Pakistan. The shared spaces are intended to be incubation centers for women-owned MSMEs in urban areas that provide a conducive environment for women to increase their operational capacity and lower input costs.

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<sup>29</sup> IFC, 2021. *CTRL ALT DEL: A Green Reboot for Emerging Markets. Key Sectors for Post-COVID Sustainable Growth.*

## BOX 1: FOCUS ON A GREEN RECOVERY

Responding to the pandemic has created an opportunity for green, resilient, and inclusive development to capture the climate momentum brought by COVID-19. As part of its *Resilient Recovery* efforts, IFC is implementing a green rebuild approach. IFC's Upstream climate work seeks to accelerate the transition to lower-carbon economies focusing on Clean Energy, Green Finance, Climate-smart Cities and Agriculture, and Circular / Blue Economy. IFC will also continue to leverage strategic partnerships to increase the delivery of sustainable municipal infrastructure projects, and to scale up its green building business, both through direct financing of asset owners, as well as by increasing the use of green mortgages and green construction finance through financial intermediaries. While the majority of IFC's climate investments have been in mitigation, IFC has started to mainstream adaptation and resilience through a systematic approach to climate risk screening with a focus on vulnerable sectors. IFC will expand the screening to other vulnerable sectors as identified by industry experts. IFC's cumulative commitments for adaptation finance through FY20 totaled approximately US\$290 million in own account and US\$176 million in mobilization. Going forward, IFC will continue to work on identifying opportunities to boost adaptation finance in client countries. Under development is a pilot Upstream program to promote changes in the enabling environment for climate resilient growth and mobilize project level finance for investments that integrate climate risk management measures. More generally, IFC will further scale the investment needed to support global adaptation finance, which requires significantly enhanced investment across both the private and public sectors.

2.16. *Accelerating Digital Transition as an Enabler of Recovery.* The pandemic has highlighted the importance of digital technologies, emphasizing the need to accelerate digital transition. Digital transformation, expediting the adoption of digital technologies, skill enhancement, and bridging the gender divide are critical to ensuring that countries are able to build back resiliently. Without interventions, the post-pandemic landscape could witness a deepening of the digital divide at both the firm-level and between IDA-FCS countries and more developed countries.

2.17. IFC has been strategically planning and implementing organizational changes to position itself to integrate technologies more effectively, with improvements across all aspects of the business, including diagnostics, strategy formulation, investment, advisory, Upstream, and thought leadership activities. In partnership with WB and MIGA, IFC is driving digital transformation with an approach that covers foundational aspects, such as digital infrastructure, platforms, skills, and financial services, as well as the use of digital applications across all sectors. IFC's Disruptive Technologies and Funds (CDF) department, works together with other industry groups and the WB to support projects that combine both funds and direct investments in early-stage technology-related businesses in manufacturing, agriculture, climate, and infrastructure. Upstream projects include eight technology, media and telecom (TMT)-related platforms that have been launched targeting investment opportunities in cutting-edge market segments. In order to facilitate private investments, each of these platforms is scheduled to publish a study for public use and undertake some analytics that can be used by IFC (and the WB), as well as for external dissemination. IFC is also supporting pioneering transactional approaches in several areas, such as electric vehicles, cold chain logistics, virtualization of infrastructure, digital twins of utilities operations, cloud platform as a Service, and green data centers.

2.18. *Mobilization.* Mobilization – the second pillar of IFC 3.0 – will be critical to augment and amplify the impact of IFC's efforts at aiding countries in their green, inclusive, and resilient recovery. IFC will scale up mobilization efforts through various platforms, including the AMC, the Managed Co-Lending Portfolio Program (MCP) and syndications, in addition to developing new facilities to deploy investor capital into emerging markets projects and opportunities. IFC will expand treasury offerings to deepen local capital markets and reduce currency risks (including currency and interest rate swaps, local currency bond issuance, and structured products).

## CHAPTER 3. OPERATIONAL PLANNING FY22-24

3.1 IFC’s Corporate Scorecard (CSC) remains a critical tool for aligning IFC’s operations with its strategy and 2030 Capital Package commitments. The FY21 CSC contains program targets for the current year (FY21) and two future years. Given the ongoing market volatility, along with anticipated lower mobilization over the near term, IFC is revising certain near-term program delivery targets, maintaining a stable target from FY21 to FY22, and then returning to a positive trajectory in FY23. These adjustments will enable staff to focus on crisis response, ramp up trade solutions, and build Upstream opportunities for resilient recovery.

3.2 This chapter discusses IFC’s performance and targets on the first three dimensions of the CSC, *Development Impact*, *Program and Client Delivery*, and *Financial Sustainability*, with the final category, *Diversity and Efficiency*, being presented in Chapter 4.

### DEVELOPMENT IMPACT

3.3 Through the first half of FY21, the ex-ante AIMM score for new projects has continued to improve, standing at 52 as of FY21Q2-end. However, the crisis continues to affect IFC’s ability to commit market creation projects, as the majority of projects developed since the onset of the pandemic have focused on minimizing disruptions and preserving markets as opposed to catalyzing scaled improvements in market structure and functioning. Looking ahead, IFC anticipates an increase in the share of market creation projects as the immediate effects of the crisis recede, and Upstream efforts begin to translate into bankable projects. Further, incentives for delivering market creating projects are now well embedded in IFC’s incentive structure, including awards for Upstream work and delivery in Low-Income IDA and FCS countries. Market Creation Potential is a core selection criterion under the IFC flagship Corporate Awards program.

TABLE 3: DEVELOPMENT IMPACT METRICS IN IFC FY21 CORPORATE SCORECARD

	Indicators	FY21 Targets	FY22(E)	FY23(E)	FY21-23 Average	FY20 Actuals
Ex-ante	Avg. Ex-ante AIMM Score for Commitments (Likelihood Adjusted) (#)	50	50	53	51	51
	Percentage of Commitments with Contribution to Market Creation Potential Rating of “Very Strong” (%)	15%	15%	18%	16%	8%
Ex-post	Avg. Portfolio AIMM Score for Active Investment Operations (#)	>45	>45	>45	>45	44
	Satisfactory Development Outcomes of Investment Operations (IEG Rating)	Improving	Improving	Improving	n/a	Not Achieved
	Advisory Services Successful Development Effectiveness (IEG Rating)	Improving	Improving	Improving	n/a	Achieved

3.4 IFC is continuing to refine the AIMM toolkit. Recent developments include: (i) an expansion of the AIMM-scored supervision portfolio; (ii) the extension of the AIMM framework to Advisory Services; (iii) adjustments to the AIMM framework to assess the development impact of IFC’s restructuring/refinancing efforts; and (iv) revision of its inclusion methodology, simplifying how the framework incentivizes investments that focus on increasing access to unserved and underserved groups.

3.5 *Development Impact Ratings.* As detailed in IEG’s Results and Performance of the WBG (RAP 2020)<sup>30</sup>, the Development Outcomes (DO) and Development Effectiveness (DE) ratings for IFC’s Investment and Advisory operations are showing signs of marked improvement following IFC’s implementation of a concerted turnaround strategy. IFC’s performance had been on a declining trend due to a combination of internal work quality issues, external risk factors, and broader market trends. Annual results for Investment and Advisory have increased to 63 and 64 percent, respectively.<sup>31</sup> The full impact of IFC’s efforts will take time to materialize due to the time lag of up to seven years for investment projects and three years for Advisory projects between project closing and when projects are rated. In light of the COVID-19 pandemic, IFC is

<sup>30</sup> IEG, 2020. *Results and Performance of the World Bank Group 2020*

<sup>31</sup> IEG Staff calculations.

engaging closely with IEG to incorporate lessons learned from previous crises, and also to agree on an approach for evaluating projects that have been adversely impacted by the COVID-19 crisis.

## PROGRAM AND CLIENT DELIVERY

### INVESTMENT PROGRAM FY22-24

3.6 The program outlook for this SBO Update revises selected forecasts and targets (see Table 4) for the investment program for FY22 and FY23 versus those presented in the FY21 CSC and includes preliminary estimates for FY24. The main change in the target revisions pertains to three key metrics for program delivery: (i) *Total LTF Commitments (excluding MIGA)*, (ii) *LTF Own-Account (O/A) Commitments*, and (iii) *Short-term Finance (STF) Commitments*. For the first two metrics, a flat trajectory has been retained from FY21 to FY22; for the latter, STF targets have been revised upward in view of growing demand. These revisions are presented in Table 4 along with sub-components of program delivery pertaining to IDA and FCS markets. As noted previously, projections and forecasts are subject to considerable uncertainty. IFC regularly revisits the alignment of performance metrics with its business outlook.

TABLE 4: REVISED PROGRAM AND CLIENT DELIVERY METRICS FY22-24

	FY20(A)	FY21(T)	Previous Targets		Revised Targets		FY24(E)*
			FY22(E)	FY23(E)	FY22(E)	FY23(E)	
Total LTF Commitments (US\$ billions)	22.0	24.3	26.2	28.6	24.3	26.4	28.8
LTF O/A Commitments (US\$ billions)	11.1	14.2	15.2	16.4	14.2	15.2	16.4
Implied Mobilization (US\$ billions)	10.9	10.1	11.0	12.2	10.1	11.2	12.4
Short-term Finance (STF) Commitments (Trade and Supply Chain Finance) (US\$ billions)	6.5	7.5	7.5	7	8	8.6	9.3
IDA17 + FCS as a % of LTF O/A Commitments	25%	29%	31%	32%	31%	31%	32%
IDA17-FCS & LIC-IDA17 as a % of LTF O/A Commitments	10%	10.5%	12%	13%	10.5%	11%	12%

\* FY24 targets are preliminary.

3.7 As shown in Table 4, IFC is targeting US\$28.8 billion in total LTF commitments and US\$16.4 billion in O/A commitments by FY24. The target for STF commitments, including trade and supply chain finance is US\$9.3 billion by FY24. A full extract of the Program and Client delivery metrics of the FY21 CSC is presented below in Table 5. Revised targets are highlighted, while targets that have not been revised are retained exactly as presented in the FY21 CSC.

TABLE 5: REVISED PROGRAM AND CLIENT DELIVERY METRICS IN IFC FY21 CORPORATE SCORECARD

Indicators		FY21 Targets	FY22(E)	FY23(E)	FY21-23 Average	FY20 Actuals	FY30 Goal <sup>32</sup>
Program and Client Delivery	Total LTF Commitments (excl. MIGA): O/A + Core Mobilization (US\$ billions)	24.3	<b>24.3</b>	<b>26.4</b>	25*	22.0	48
	LTF O/A Commitments (US\$ billions)	14.2	<b>14.2</b>	<b>15.2</b>	14.5*	11.1	25
	IDA-17 + FCS as a % of LTF O/A Commitments	29%	31%	<b>31%</b>	30.3%*	25%	40%
	IDA17-FCS & LIC-IDA17 as a % of LTF O/A Commitments	10.5%	<b>10.5%</b>	<b>11%</b>	10.7%*	10%	15-20%
	IDA-17 as a % of LTF O/A Commitments	28%	30%	..	..	25%	..
	Climate as a % of LTF O/A Commitments	30%	35%	35%	33%	30%	35%
	IDA-17 LTF Project Count as % of LTF Projects	35%	35%	..	..	39%	..
	Short-term Finance (STF) Commitments (Trade and Supply Chain Finance) (US\$ billions)	7.5	<b>8</b>	<b>8.6</b>	8*	6.5	..
	Cumulative IDA-19 PSW Board Approvals (US\$ billions)	0.6	1.3	2.0	n/a	0.7	..
	Share of Women Directors nominated on IFC Board Seats	45%	47%	50%	47%	44%	50%
	Annual Financing Dedicated to Women and Women-led SMEs (O/A + Core Mob.) (US\$, billions)	0.51	0.58	0.67	0.59	0.47	1.4
	Upstream 5-year Cumulative (FY22-26) Investment O/A Pipeline (US\$, billions)	10	20	30	..	5	..
	Client feedback/satisfaction on IFC IS (% satisfied)	85%	85%	85%	85%	79%	..
	Client feedback/satisfaction on IFC AS (% satisfied)	85%	85%	85%	85%	91%	..

n/a - denotes that indicator results will only be available at FY-end.

\*Averages have been recalculated with revised targets.

Note: Targets in **Bold** have been revised from those presented in IFC's FY21 CSC.

3.8 *Upstream.* In addition to CSC targets, IFC has also set internal targets for committed investments enabled by Upstream to measure the contribution of Upstream efforts to IFC's annual commitments. As of February 2021, 10 percent of O/A commitments (US\$483 million), were Upstream enabled. IFC closely monitors the Upstream business through a series of indicators designed to track activity, efficiency, mobilization, WB collaboration, and contribution to market creation. To further strengthen effective WBG Upstream collaboration, IFC is exploring mechanisms, including aligning incentives through WBG "Assist", an effort to recognize intra-WBG contributions for private sector projects and private sector capital mobilization by tracking interventions, time and effort, and rewarding cross-organizational collaboration through awards and incentives. The Upstream business model is still in its infancy, and IFC continues to learn and iterate with a view to refining the operating model and optimizing conversion rates, investment volumes, and development impact created by Upstream activities.

3.9 *Mobilization.* Although mobilization has declined since the outbreak of the pandemic, IFC's syndications pipeline is gaining momentum in 2021. In addition to new solutions discussed in Chapter 2, IFC is deepening coordination with Development Finance Institutions (DFIs) through the new Joint Collaboration Framework Agreement, which will leverage partners' collective strengths to help build a pipeline of bankable and high-impact projects, promoting greater reciprocity in project co-financing arrangements and providing a targeted approach to blending funds from concessional donor and commercial sources. IFC continues to support private capital mobilization for WB projects, including in IDA countries. In line with IFC's equity strategy<sup>33</sup> to serve the needs of its clients in the face of COVID-19 impacts, AMC adjusted its delivery model to become an efficient equity mobilization platform to effectively support IFC's crisis response efforts.

## PRIORITY AREAS

3.10 *IDA-FCS Countries.* Delivering on IFC's Capital Package commitments to increase the share of O/A investments in IDA17 and FCS countries to 40 percent by FY30 remains a core focus of IFC's operations. Increasing dedicated resources, especially to FCS, deploying a range of financing tools, and accelerating Upstream continue to anchor IFC's approach to boosting program growth in IDA and FCS. IFC increased

<sup>32</sup> FY30 Goals as agreed in the Capital Increase package.

<sup>33</sup> Update on IFC Equity Approach Implementation & IFC Asset Management Company ("AMC"), May 2020

staffing dedicated to FCS by 69 percent from FY19 to January 2021. With many IDA-FCS markets still requiring emergency relief from the crisis, IFC anticipates continued strong demand for short-term and trade finance from these segments. IFC expects to leverage its de-risking toolkit, including the IDA PSW, which continues to be the main blended finance facility aiming to mobilize private investment in LIC-IDA and IDA-FCS countries. From FY20 to FY21YTD, 40 percent of IFC’s LTF commitments in IDA17-FCS or LIC-IDA17 were supported by Blended Finance. In September 2020, the Board granted a temporary expansion of PSW eligibility to IDA Gap and Small States Blend countries for two years, to help scale up sustainable private sector solutions given increased risks due to COVID-19 impacts. IFC is also scaling special advisory funding and implementation facilities for FCS, such as the Conflict Affected States in Africa (CASA) initiative and the Environment, Social and Corporate Governance (ESG) Advisory program.

3.11 *Climate.* As discussed in Chapter 2, scaling up climate is at the heart of IFC’s efforts to support resilient recovery and meet Capital Package commitments. In line with the WBG’s climate targets, IFC continues pursuing an average of at least 35 percent of climate-related investments in own-account LTF commitments over the FY21-25 period.

3.12 *Gender.* With respect to gender, in FY21 a new indicator “Annual Financing Dedicated to Women and Women-led SMEs” was introduced in the CSC, to incorporate the capital increase commitment to reach US\$1.4 billion of annual financing dedicated to women and women-led SMEs by FY30. In addition, gender is also reflected in IFC’s internal KPIs through two metrics – *New LTF commitments to FIs targeting women* and *Gender as a share of AS project count*.

## ADVISORY PROGRAM

3.13 Progress has been made on the shift that began last year to align more of Advisory Services (AS) to support Upstream business. As of February 28, 2021, the AS program has delivered US\$134 million in client-facing projects, 30 percent less compared to the same period in FY20. The slower program in FY21 is due both to the deliberate shift of AS toward Upstream and to the lingering effects of the pandemic. While the overall program slowed down, there was progress on the Advisory-Upstream continuum, with advisory activities spread across the range of opportunities along the continuum, from enabling environment work to firm-level advisory for portfolio clients. IDA countries are at the core of IFC’s AS, with program delivery in IDA and FCS at 54 percent and 20 percent, respectively; the Climate program reached 24 percent.

## FINANCIAL SUSTAINABILITY AND CAPITAL ADEQUACY

3.14 *Financial Sustainability.* IFC monitors financial sustainability through two metrics in the CSC: *Debt portfolio Risk-Adjusted Return on Capital (RAROC, %)* and *Equity portfolio total return ~ MSCI*.

TABLE 6: FINANCIAL SUSTAINABILITY METRICS IN IFC FY21 CORPORATE SCORECARD

	Indicators	FY21 Targets	FY22(E)	FY23(E)	FY21-23 Average	FY20 Actuals
<b>Financial Sustainability</b>	IFC debt portfolio RAROC (%)	>8%	>8%	>8%	>8%	6.8%
	Equity portfolio total return ~ MSCI	>0	>0	>0	>0	-6.7%

3.15 *Equity Portfolio.* The performance of IFC’s equity portfolio plays a critical role in (i) IFC’s long-term financial sustainability – as a key driver of retained earnings; (ii) IFC’s ability to deliver its program in higher-risk markets, critical for the *Resilient Recovery* phase; and (iii) IFC’s ability to mobilize capital from like-minded investors, particularly in times of crisis. Measures to reverse the decline in performance that had followed the rapid increase in equity commitments after 2009 are beginning to materialize. However, concerns remain about the impact of COVID-19 on equity valuations, given ongoing uncertainty. IFC intends to gradually scale up equity investments in the coming years, on a path to reaching its goal of US\$4 billion (16 percent) of O/A commitments by FY30.

3.16 *Portfolio Approach.* The introduction of a quantitative metric for development impact, AIMM, alongside an agreed financial sustainability metric, RAROC, is enabling IFC to make its traditional balancing of development impact and financial sustainability in a more refined, consistent, and transparent manner. Constantly improving the Portfolio Approach and its application, IFC introduced and launched a real-time program / portfolio dashboard in FY21Q1 to provide decisionmakers with real-time Ex-Ante RAROC and AIMM indicators, benchmarking and historical data at their fingertips. In addition, IFC updated its Board Paper guidelines to include a reference to the Portfolio Approach. Lastly, IFC completed scoring of a sample of investment projects in the portfolio, informing the establishment of an AIMM portfolio target.

## **CAPITAL ADEQUACY**

3.17 Deployable Strategic Capital (DSC) is the key capital adequacy metric for IFC, measuring the amount of IFC's capital that is available to support new investments. DSC is calculated as capital available minus the capital required to support the investment and treasury portfolios (plus operational risk). IFC's capital position is tracked over time by using the DSC ratio, which represents DSC divided by capital available.

3.18 As a private sector focused DFI with a sizeable equity portfolio, IFC's capital adequacy position is inherently volatile. Key drivers of capital required are the size and composition of the investment portfolio, which depends in turn on the volume and product mix of new commitments as well as the volume of equity sales. IFC's available capital is also affected by income, including realized equity gains, as well as changes in the actuarial value of staff benefit plans plus any designations for Advisory Services.

3.19 DSC projections are presented as a range based on different scenarios given the uncertainty in forecasting IFC's income and portfolio growth.

## CHAPTER 4. RESOURCING DELIVERY

4.1 This chapter details how IFC is aligning strategy with resources and maximizing efficiencies to create a sustainable delivery model. IFC 3.0 is a resource intensive strategy and incurs higher costs over traditional business delivery. IFC requires the appropriate financial, administrative, and IT capacity to back its ambitious 2030 goals. Prioritization and continued focusing of resources to deliver on our strategic priorities will be key to FY22-24 planning.

### STAFFING AND WORKFORCE PLANNING

4.2 The comprehensive workforce planning exercise undertaken by IFC in FY18 and FY19 streamlined IFC's grade pyramid, freed up critical capacity and laid the foundation for IFC to invest in the skills and grade mix necessary to execute its strategy. This has allowed IFC to (i) strengthen operational regional and country capacity and realign staff toward priority regions and countries, (ii) ramp up recruitment of dedicated Upstream staff, Industry Specialists, and Economists supporting regions and (iii) bring in new skillsets. This has now taken the shape of an annual Workforce Planning update that helps align staffing with business needs and strategy.

4.3 In FY20 and upon the conclusion of the separation programs, IFC shifted its focus to recruitment at entry levels such as GE and GF to better leverage senior staff, to bring in new talent and skills and to train existing staff to fill skill gaps. This growth was primarily in field offices and with a focus on priority regions and sectors. IFC also added specialists in focus sectors such as new technologies, infrastructure, health and education, and environment, social & governance. IFC used this as an opportunity to attract staff who can work with governments, in collaboration with World Bank colleagues on Upstream policy work, as well as staff who can originate new investments. The Upstream recruitment strategy was specifically focused on bringing in external talent with varied educational backgrounds and new skills. This exercise has allowed IFC to realize significant resource efficiencies over time.

4.4 *Recruitment and Onboarding.* In line with IFC's planned growth trajectory, FY20 was a record year for IFC with regard to the volume of recruitment. Coming on the heels of a difficult separation program in FY19 (the effects of which were managed well into FY20) and coupled with the implementation of Upstream organizational structure and focus on priority positions during the COVID-19 global pandemic, this collective delivery on recruitment was ground-breaking.

4.5 IFC has now shifted its focus from recruitment to onboarding and integrating new staff and internal talent optimization, ensuring that external recruitment is reserved for business-critical roles while IFC recalibrates its hiring plans.

4.6 As remote joining and virtual onboarding continues to be the norm, IFC has ensured the timely provision of devices and access to systems for new staff regardless of work location. Through comprehensive learning events and high touch interventions, IFC is committed to fostering a cohesive and inclusive culture and providing technical and operational training needed to accelerate business delivery. All new staff participate in a two-week virtual induction program, which includes content on IFC's strategy, operations overview, investment and advisory project cycles, monitoring frameworks, financial sustainability, and ethics and business conduct. Feedback from new staff continues to inform targeted follow-up actions and cultivate an agile approach to continuous improvement.

4.7 *Incentives and Awards.* Over the past two years, IFC has taken steps to steer its incentives to support the implementation of IFC 3.0, including revamping of the Corporate Scorecard to align more closely with organizational priorities; adjusting awards programs to further acknowledge staff across the World Bank Group for exceptional work in delivering IFC 3.0 and the Cascade; and launching a new competency framework for Operations staff that defines core skills required to deliver the new strategy, including Upstream experience.

4.8 Targeted staff incentives will continue to be a critical element of building the Upstream business over FY22-24. IFC has put in place a combination of monetary and non-monetary measures to encourage staff to

work on Upstream engagements, such as Career and Development Incentives, Upstream Milestone Awards, Upstream Top-Up Awards and the Corporate Awards with the aim of encouraging innovation and other behaviors that are key to Upstream success. These include cross-industry partnerships, clear coordination between Upstream efforts and downstream investment, knowledge sharing, and collaboration across the World Bank Group.

4.9 *Diversity and Inclusion.* Diversity and Inclusion continues to be paramount for IFC and is woven into the fabric of the institution. IFC will continue to monitor and report on key diversity indicators, annually revisiting its talent outreach and retention strategy to achieve diversity goals. Efforts include proactively identifying opportunities to participate in career fairs, webinars, and other events to reach out to underrepresented populations at IFC on the talent outreach front and catering leadership programs such as the Global Business Leadership Program (GBLP) and the Corporate Leadership Program (CLP), towards women in senior positions to nurture and retain diverse talent in senior positions. Examples in FY21 include participation in an LGBTQ focused virtual recruitment fair, and for the first time co-hosting a series of online recruitment events dedicated to persons with disabilities from around the world.

4.10 In FY21, to align with the WBG Diversity and Inclusion framework, IFC introduced the Gender Balance Index, a weighted composite (toward a score of 1) measuring gender balance (50 percent female / 50 percent male) for the four grade groupings, weighted as: GA-GD (10 percent), GE-GF (20 percent), GG+ Technical (40 percent), Manager (30 percent). This metric will also be supplemented by additional D&I indicators at all VPU-level KPIs (see Table 7).

TABLE 7: DIVERSITY METRICS IN IFC FY21 CORPORATE SCORECARD

	Indicators	FY21 Targets	FY22(E)	FY23(E)	FY21-23 Average	FY20 Actuals	<i>FY30 Goal</i>
<b>Diversity*</b>	Gender Balance Index	0.86	0.88	0.89	0.88	0.81	..

\* Note: A new composite indicator was introduced in the Scorecard beginning with FY21, thus, replacing four individual metrics reported in the earlier Scorecards: GF+ SSA/CR, GF+ technical women, Women managers, Part II managers.

4.11 Following the events centered around the George Floyd case in the United States, in June 2020, the World Bank Group Task Force on Racism was formed to examine issues related to racism and racial discrimination in the WBG, its operations, and the areas it serves. As a result of initial recommendations made by the Task Force to the President and WBG Senior Management, IFC is currently in the process of finalizing the appointment of a Diversity and Inclusion Program Manager at IFC who will lead the D&I agenda across the institution in close partnership with the WBG.

## ANNEX 1 (A). IFC PROGRAM RESULTS FY17-21YTD



## ANNEX 1 (B). IFC 3.0 TOOLKIT<sup>34</sup>

<b>New Tools</b>		
<b>Country Private Sector Diagnostics (CPSD)</b>	<b>34 complete</b> (post-decision review meeting) Albania, Angola, Bangladesh, Burkina Faso, Cameroon, Dem. Rep. of Congo, Cote d'Ivoire, Ecuador, Arab Rep. of Egypt, Ethiopia, Ghana, Guinea, Haiti, Indonesia, Jordan, Kazakhstan, Kenya, Kyrgyz Republic, Madagascar, Malawi, Mali, Morocco, Mozambique, Myanmar, Nepal, Nigeria, Pakistan, Philippines, Rwanda, Senegal, South Africa, Ukraine, Uzbekistan, Vietnam	<b>23 under development</b> Afghanistan, Azerbaijan, Benin, Bolivia, Botswana, Burundi, Central African Republic, Chad, Chile, Colombia, Eswatini, Fiji, Honduras, Jamaica, Lebanon, Moldova, Namibia, Peru, Sri Lanka, Thailand, Togo, Tunisia, Uganda
<b>New Strategic Products</b>		
<b>IFC Country Strategies</b>	<b>49 complete</b> Angola, Argentina, Armenia, Bhutan, Brazil, Cambodia, Central Africa Republic, Chad, China, Côte d'Ivoire, Democratic Republic of Congo, Dominican Republic, Egypt, El Salvador, Ethiopia, Fiji, Gabon, Ghana, Haiti, Honduras, Indonesia, Jamaica, Kazakhstan, Kenya, North Macedonia, Madagascar, Malawi, Maldives, Mali, Mexico, Mongolia, Morocco, Myanmar, Nigeria, Pakistan, Papua New Guinea, Paraguay, Philippines, Rwanda, Senegal, Serbia, Sierra Leone, South Africa, Sri Lanka, Timor-Leste, Turkey, Ukraine, Uzbekistan, Vietnam	<b>7 under development/planned</b> Albania, Bosnia and Herzegovina, Bangladesh, Chile, Colombia, Rep. of Congo, the Gambia
<b>Sector Deep Dives</b>	<b>13 complete</b> (and presented to the Board) Agribusiness, Capital Markets, Digital Economy, Education, FinTech, Health, Housing, Manufacturing, Microfinance, Power, SME Finance, Textiles, Water & Sanitation	<b>5 under development</b> AgTech, Chemicals, Digital Infrastructure, Funds, Insurance
<b>Frameworks</b>		
<b>AIMM</b>	<ul style="list-style-type: none"> <li>Completed six quarters of implementation, over 1,400 investment projects rated, over two dozen sector frameworks developed, and over 900 indicators utilized to measure and monitor impact claims.</li> <li>Currently piloting AIMM approach for Advisory Services, which has been under implementation since FY20Q1, with an incremental rollout based on project size. FY21 is the first full year of pilot.</li> </ul>	
<b>Platforms</b>		
<b>IDA-PSW</b>	Utilized <b>US\$856.3 million</b> across 62 commitments to support <b>US\$1.3 billion</b> in IFC O/A commitments	Pipeline of approximately <b>US\$2.4 billion</b> (US\$1.7 billion downstream, incl. US\$0.5 billion Board Approvals, plus US\$0.7 billion midstream). There continues to be strong demand for PSW support, including in temporary PSW eligible countries.
<b>MCPP</b>	Raised <b>US\$10.1 billion</b> , through 11 operating partnerships	<b>US\$7.4 billion</b> committed, or mandated awaiting commitment, to <b>200</b> projects in 55 countries
<b>AMC</b>	Raised <b>US\$10.1 billion</b>	committed <b>US\$6.95 billion</b> to <b>130 companies and funds</b>
<b>J-CAP</b>	Raised <b>US\$21 million</b> for market building advisory. Two new J-CAP countries are being selected for CY21.	<b>US\$645 million</b> of issued/committed deals. This includes the first ever securitization in West Africa (NSIA) and leveraging capital markets for Affordable Housing in Kenya (KMRC), amongst others.
<b>Instruments</b>		
<b>CMAW</b>	Since FY18, <b>US\$153 million</b> approved for <b>585+ projects</b> in <b>75+ countries</b> and <b>76%</b> of total approvals were for projects delivering advice to clients; <b>54%</b> in SSA, across Financial Institutions, Agriculture, Manufacturing, Enabling Environment and Infrastructure.	
<b>Thought Leadership</b>		
Focus on thematic reports on opportunities for firms in emerging markets (e.g., Artificial Intelligence report, Blended Concessional Finance report) as well as scaling impact investing (e.g., Growing Impact report about market size and case studies of investor practice) and Joint Impact Indicators under development (expected launch date March 2021).		

<sup>34</sup> As of February 2021

## ANNEX 2. REGIONAL ANNEXES

*The Regional Annexes outline the impacts of COVID-19 and the respective shifts in IFC's program in each region, IFC's response within the larger context of the objectives set out in the SBO, and the regional program outlook.*

### EAST ASIA AND THE PACIFIC REGION

Economic activity in East Asia and the Pacific region (EAP) contracted sharply due to shutdowns and other restrictive measures with the severity of the economic shock uneven across the region. China's strong recovery has helped to keep regional economic growth in positive territory while most other EAP economies suffered their largest contraction in over 50 years. Early into the pandemic, IFC reached out to clients, assessed their needs, and extended support both through FTCTF and outside of the facilities. Regional outlook has improved recently with the implementation of broad stimulus and support measures across EAP economies, including fiscal policy packages averaging around 5 percent of GDP.

**Shifts in IFC's program:** Since the onset of the pandemic, IFC's program has been driven to a large extent by client needs for Relief. Early response by the MAS teams enabled a strong delivery to clients, supporting jobs and sustaining operations that faced a collapse in demand. In the financial sector, IFC employed funding from its WCS facility, providing the needed liquidity to the client banks. As liquidity in the market was gradually restored, IFC shifted its focus to supporting banks in their lending to MSMEs facing increasingly constrained access to finance. Amid higher risk aversion, banks reduced their portfolios despite liquidity infusion from central banks, leading to lower interest for IFC's long-term funding in FY21Q1. Looking ahead, FIG is expected to get back fully on track, helping FIs to address the widening financing gap, especially for MSMEs, and provide banks with capital needed to cope with deteriorating asset quality and rising NPLs. On the infrastructure side, many sponsors were reassessing their investment plans; as a result, IFC's infrastructure program slowed in FY21Q1-2, but is getting back on track. Portfolio has so far remained largely unscathed, with low NPLs and improving equity valuations.

### IFC'S COVID-19 RESPONSE

Relief	<ul style="list-style-type: none"> <li>• <b>Cross-sectoral support addressing working capital needs and capital expenditures linked to COVID-19:</b> Support for pharmaceutical and medical equipment companies to increase production and distribution of medical supplies; Support for TRP sector businesses; Conduct mapping study of third-party logistics and cold storage, including temperature-controlled logistics for vaccines in Indonesia, Philippines, Thailand, and Cambodia; and Survey of Fijian businesses to quantify the pandemic impacts. Financing for client FIs targeting trade, MSME businesses, including women borrowers. In Vietnam, IFC expanded trade financing limits by nearly US\$300 million for four client banks to continue lending to SMEs and companies in need.</li> </ul>
Restructuring	<ul style="list-style-type: none"> <li>• <b>Recovery support via financial sector:</b> IFC's DARP projects are helping banks address NPLs and focus on new lending and deepening local capital markets (such as recent investment in <i>DARP Collectius</i>, a pan-Asian platform located in Singapore). IFC is also promoting insolvency reforms and debt resolution mechanisms through AS.</li> </ul>
Resilient Recovery	<ul style="list-style-type: none"> <li>• <b>Amid accelerating recovery in EAP:</b> Support existing and prospective clients with investment, including equity financing, and with AS support; enable opportunities brought about by supply chain realignment in the region; invest in logistics and consumer-focused sectors, and sponsors from high-income economies in the region seeking to expand to other EMDEs.</li> <li>• <b>Sustainability:</b> Promote green/blue financing and support circular economy (the first-ever Blue Loan exclusively focused on addressing marine plastics and the issuance of the first private sector-led blue bond in Asia); help a private renewable energy developer with its entry into subsidy-free solar generation space; provide a green loan to Thailand's largest hospitality firm to finance green projects; and promote sustainable development in cities and subnational financing and urban services.</li> <li>• <b>Tourism AS:</b> Ongoing AS in the Pacific countries and others planned across EAP; looking to increase the value proposition of emerging destinations and tourism sector hard-hit by the pandemic.</li> <li>• <b>Digital Technology and fintech</b> are offering some good opportunities for IFC to pursue in the region.</li> <li>• <b>Upstream and DPO:</b> PPP law input, investment climate, investment and trade reforms, competitiveness DPL; private sector solutions include PPP, waste project; distressed assets and NPL market; supply chain finance market development; strengthening banks through Tier 1 products; and healthcare.</li> </ul>

## EUROPE AND CENTRAL ASIA REGION

The pandemic has hit the Europe and Central Asia (ECA) region hard with ECA having the second highest per capita COVID-19 cases among EMDEs. Regional GDP is estimated to have contracted by 2.9 percent in 2020 due to the collapse in global commodity prices, disruption to global and regional supply chains, and the effect of heightened global risk aversion on financial markets. Growth in 2021 will greatly depend on the pace of the vaccination rollout in the region. Nearly all economies experienced recessions and only three countries (Turkey, Uzbekistan, and Tajikistan) registered GDP growth. International Labor Organization (ILO) estimates employment fell by equivalent of 30 million job losses in 2020 in ECA. Poverty is expected to significantly increase in ECA. At US\$3.20 per day, 2.2 million people are projected to have been pushed into poverty in 2020.

**Shifts in IFC’s program:** Due to the pandemic, in infrastructure and MAS sectors, new capital investments have been postponed, and investors take a “wait and see” approach. Tourism, some manufacturing subsectors, real estate (such as shopping malls), health care (non-COVID servicing), airports, and municipal infrastructure are among the hardest hit sectors while agriculture was resilient. Since the onset of the pandemic, IFC’s program in ECA has been primarily driven by resources provided through the IFC’s FTCTF: FIG (WCS and GTLP) and MAS (RSE). Other projects in FIG supported bank privatizations, in MAS, food production and retail. In INR, even though project finance has slowed, the market has not dried up. A number of INR projects were developed with the help of Upstream in the following areas: Scaling Solar (Uzbekistan, with the WB); power distribution (Armenia); and broadband sector development (Kyrgyz Republic, with the WB).

### IFC’S COVID-19 RESPONSE

Relief	<ul style="list-style-type: none"> <li>• <b>INR:</b> Proactively engaging with clients to support their relief efforts including via waivers, consents, and advisory engagements (such as airports and municipal entities)</li> <li>• <b>MAS:</b> Mostly through RSE</li> <li>• <b>FIG:</b> WCS and GTLP</li> </ul>
Restructuring	<ul style="list-style-type: none"> <li>• <b>FIG:</b> <ul style="list-style-type: none"> <li>○ Rescheduling repayments of MFIs for better cash management</li> <li>○ Financing micro and small enterprises, especially in IDA-FCS countries (Uzbekistan and Kosovo)</li> </ul> </li> </ul>
Resilient Recovery	<ul style="list-style-type: none"> <li>• <b>Sustainability:</b> Green/climate focused finance (green buildings and renewable energy)</li> <li>• <b>Innovation:</b> Technology innovation/VC and local currency solutions</li> <li>• <b>Financial sector</b> (with Upstream): NPL resolution, risk-sharing facilities, microfinance, MSME finance, and housing finance</li> <li>• <b>Health sector:</b> Production of critical healthcare products to close COVID-related healthcare supply gaps and health sector PPPs (Uzbekistan)</li> <li>• <b>Agribusiness:</b> Agri-finance and food retail</li> <li>• <b>Infrastructure:</b> Logistics and transport, municipal infrastructure, and digital connectivity</li> <li>• <b>Gender:</b> Maintain strong performance, particularly through collaboration with FIs targeting women entrepreneurs</li> </ul>

## LATIN AMERICA AND THE CARIBBEAN REGION

Entering the pandemic already with weak growth performance and in a poor macroeconomic position, Latin America and the Caribbean (LAC) region’s GDP is estimated to have contracted 6.9 percent in 2020, the steepest reduction among EMDEs. Five of the ten EMDEs with the highest COVID-19 deaths per capita are in LAC – Argentina, Brazil, Chile, Mexico, and Peru. As a result of COVID-19, formal employment, hours worked, and labor income decreased significantly, with women and youth being hit the hardest. Poverty increased from 22.1 percent in 2019 to 27 percent in 2020, with 32 million Latin Americans falling into poverty and 220 million at risk of falling into poverty. The COVID-19 impact was also compounded by impacts from natural disasters such as hurricanes Eta and Iota, which damaged Central American economies and exacerbated food insecurity.

**Shifts in IFC’s program:** Since the onset of the pandemic, IFC’s program has mainly been driven by an increased demand for working capital facilities (RSE and WCS), many of which were processed as part of the FTCTF in the manufacturing, agribusiness, and services sector, as well as the financial sector. IFC’s financing also included LTF projects to expand much needed lending to SMEs, furthering green financings in Brazil, and supporting development of climate-smart agriculture in the Latin America region via both advisory and investment products. High levels of uncertainty and tighter financing conditions during the pandemic have led to delays in infrastructure investments. There is, however, growing traction in the digital transformation space, with digital technology and infrastructure being positively impacted by the virtual format of working over the last year. IFC’s LAC LTF commitment levels remain broadly in line with IFC’s performance overall in FY21 year to date, with a significant focus on portfolio management to maintain NPLs at a low level.

### IFC’S COVID-19 RESPONSE

Relief	<ul style="list-style-type: none"> <li>• <b>INR:</b> Proactively engaging with clients to support their relief efforts including via suspension requests providing payment relief and restructuring of advisory engagements</li> <li>• <b>MAS:</b> RSE, GHP, and selective LTF</li> <li>• <b>FIG:</b> WCS, GTFP, and GTLP</li> </ul>
Restructuring	<ul style="list-style-type: none"> <li>• <b>MAS and INR:</b> Supporting portfolio clients that have weathered COVID-19 impact mainly due to strong balance sheets and/or successfully adapted business practices, looking to more corporate financings to optimize balance sheets</li> <li>• <b>FIG:</b> Rescheduling repayments of MFIs for better cash management and to continue to finance MSMEs, especially in IDA-FCS countries, and deployment of DARP</li> </ul>
Resilient Recovery	<ul style="list-style-type: none"> <li>• <b>Sustainability:</b> Green/climate-focused finance (green buildings and renewable energy)</li> <li>• <b>Innovation:</b> Innovative technology / VC and local currency solutions</li> <li>• <b>Financial sector:</b> Risk-sharing facilities, MSME finance, housing finance, and green finance</li> <li>• <b>Health and education:</b> Innovative private health care models, affordable medical devices, and BOP education models with technology focus</li> <li>• <b>Agribusiness:</b> Agri-finance, food production, retail, and sustainable practices</li> <li>• <b>Infrastructure:</b> Logistics and transport, municipal infrastructure and utilities, digital connectivity, and energy security with focus on renewables</li> <li>• <b>Gender:</b> Collaboration with FIs targeting women entrepreneurs</li> </ul>

## MIDDLE EAST AND NORTH AFRICA REGION

The Middle East and North Africa (MENA) region faced significant disruptions due to the pandemic. This, alongside the fall in oil prices and demand, resulted in the contraction of the GDP by an estimated 5 percent in 2020. Conflicts and geopolitical tensions, low productivity, dependence on oil, weak private sector activity, and a dominant public sector led to the region’s persistent slow economic growth. On a more optimistic note, a successful vaccination rollout in several MENA countries could help lift growth above 2 percent in 2021.

**Shifts in IFC’s program:** In response to the challenges stemming from COVID-19, IFC pivoted its regional responses to help clients stay solvent and build resilience. Thus, IFC: (i) provided through the FTCTF working capital financing for MSMEs, financial intermediaries, pharmaceutical companies, and critical infrastructure service providers, among others, to support liquidity needs; (ii) engaged at the subnational level to bridge infrastructure needs, as was done in the Fes-Meknes region in Morocco; (iii) launched Business Pulse Surveys in collaboration with the WB to evaluate the impact of COVID-19 and inform WBG financing decisions; (iv) provided financing through the GTLP Facility; and (v) extended advisory services for stress testing for FIs, non-financial services to help MSMEs navigate the crisis, and technical assistance to set up digital social payments in coordination with the WB.

### IFC’S COVID-19 RESPONSE

Relief	<ul style="list-style-type: none"> <li>• <b>Support MSMEs:</b> AS Facility to supporting and prioritizing financial inclusion for MSMEs</li> <li>• <b>Manufacturing:</b> IFC COVID-19 response loans to support pharmaceutical companies working capital needs. Includes US\$200 million to <i>Hikma Pharmaceuticals</i></li> <li>• <b>Digital financial services:</b> Supporting the expansion of financial services (focus on BOP), e-payment solutions; and digital transformation programs</li> <li>• <b>Services:</b> Investments in hospitals to provide critical healthcare services such as <i>Humania</i> (Egypt and Morocco)</li> <li>• <b>Virtual webinars</b> on stress testing and crisis portfolio management for FIs as well as non-financial service webinars for MSMEs. Effort has reached over 109 FIs and over 1,100 MSMEs across MENA.</li> <li>• <b>Market research</b> on financial inclusion on agribusiness, DFS, NFS, and SMEs</li> </ul>
Restructuring	<ul style="list-style-type: none"> <li>• <b>Support to banks:</b> Including (i) balance sheet management; (ii) risk sharing – SME (quasi-equity financing) and other forms of risk relief; (iii) capital support; and (iv) risk management capability building</li> <li>• <b>Developing new platforms</b> in MENA to bring efficient NPL resolution. Upstream work ongoing across new countries and markets to work on regulatory NPL and insolvency regimes</li> <li>• <b>Energy:</b> Advisory-led technical and financial feasibility initiatives to maximize resource efficiency and use of renewable energy in the cement sector</li> <li>• Supporting <b>critical service providers:</b> Including investment in <i>Metito</i>, a water company, under FTCTF</li> <li>• <b>Manufacturing:</b> (i) Strengthening SME linkages in supply chains and distribution networks and (ii) regulatory framework reform, such as the pharmaceutical product access framework</li> </ul>
Resilient Recovery	<ul style="list-style-type: none"> <li>• <b>Green growth:</b> Developing climate-focused instruments through integrated IS-AS products (such as Green Bonds) and ESG compliant lending</li> <li>• <b>Energy:</b> Supporting private investments in renewables via transaction support, mobilization of capital, and AS (examples include developing rooftop Solar PV capacity in West Bank &amp; Gaza)</li> <li>• <b>Transport:</b> Municipal level engagement to finance transport infrastructure upgrading connectivity (examples include US\$100 million to <i>Casablanca Region</i> and US\$30 million to <i>Fes-Meknes Region</i> (Morocco))</li> <li>• <b>Upstream engagement to catalyze more private participation in infrastructure:</b> This will include Upstream work to support reforms through WB programs. Examples include reforms in water desalination, waste-water regulation, and solid waste management, sewerage infrastructure, and ports.</li> <li>• <b>Women entrepreneurship and access to finance:</b> Initiatives include Banking on Women, a US\$10 million facility. To date, four engagements have been developed in key markets.</li> <li>• <b>Technology and digitization:</b> (i) FIG focused investments on business models leveraging technology with the potential to scale; (ii) addressing regulatory constraints through AS / Upstream initiatives; and (iii) supporting digital transformation of FIs through advisory, including our DigiLab initiative</li> </ul>

## SOUTH ASIA REGION

The South Asia (SA) region experienced a sharp economic contraction with job losses and poverty reversal because of the COVID-19 pandemic. The region’s GDP is estimated to have contracted by 6.7 percent in 2020 and the sharp decline in household income will have pushed close to 100 million people (estimated) into extreme poverty at the US\$1.90 poverty line as of 2021-end. India, which accounts for around 80 percent of the region’s GDP, witnessed pronounced economic collapse due to the pandemic with GDP contracting by 24 percent during the second quarter CY20. The impact of COVID-19 in the rest of the South Asia region has been somewhat less severe but still significant. The risk of debt distress has increased further in the Maldives and Sri Lanka which both depend heavily on the tourism sector and have high foreign exchange requirements. High fiscal deficits have also increased the already elevated public debt in India, Maldives, and Pakistan; Sri Lanka will further reduce the space for productivity-enhancing public expenditure going forward. The pandemic is expected to leave lasting scars on the South Asia region with estimates suggesting that potential growth will be more than 1 percentage point lower, on average, during 2020-25 compared to a no-COVID counterfactual.

**Shifts in IFC’s program:** Since the onset of the pandemic, IFC’s investment program has been driven by FTFCF through the RSE and WCS envelopes. IFC’s engagement focused on providing needed liquidity to help viable firms survive and preserve market creation gains. IFC invested in tourism, housing, manufacturing, financial institutions, and health sectors through long-term debt and equity financing. IFC teams adapted to remote working environments, virtual appraisals, and evolving client needs.

### IFC’S COVID-19 RESPONSE

Relief	<ul style="list-style-type: none"> <li>• <b>INR:</b> Proactively engaging with clients to support their relief efforts including via waivers, consents, and advisory engagements (such as airports and municipal entities). COVID-19 response disbursed for three clients.</li> <li>• <b>MAS:</b> COVID-19 response support in manufacturing; working capital needs in services sector and food producers and in non-COVID-related facilities; financing to one of India’s top vaccine producers; and technical and advisory support to governments in procuring urgent COVID-19 medical supplies/services.</li> <li>• <b>FIG:</b> Rapid liquidity support to new and existing clients.</li> </ul>
Restructuring	<ul style="list-style-type: none"> <li>• <b>Corporate balance sheet support:</b> Development of insolvency frameworks, working capital solutions, distressed asset resolutions, refinancing, and recapitalizations.</li> <li>• <b>Credit support:</b> Unlocking intermediary financing to strengthen credit line support to companies.</li> <li>• <b>Capital markets development:</b> Local currency solutions and development of thematic bonds.</li> </ul>
Resilient Recovery	<ul style="list-style-type: none"> <li>• <b>MSMEs:</b> (i) A joint WB-IFC program of US\$750 million <i>MSME DPO</i> helping leverage commercial financing for MSMEs’ liquidity during the crisis through an innovative guarantee mechanism in India; (ii) COVID-19 recovery plan in Bangladesh and Nepal including a virtual launch of a report on COVID-19 impact on MSMEs to inform recovery action plans and government stimulus packages; and (iii) launching of IFC’s report on <i>COVID-19 Impacts on Sri Lanka’s Women-led SMEs</i></li> <li>• <b>Transportation and digital connectivity:</b> A strong pipeline of renewable energy projects; and transportation/connectivity and digital connectivity projects</li> <li>• <b>Infrastructure:</b> Storage infrastructure and supply chain financing; renewable energy</li> <li>• <b>AS engagements targeting resilient recovery in the pipeline and pre-pipeline stage</b></li> <li>• <b>DPOs:</b> Battery storage; structural reforms (tariffs, foreign exchange regulation, financial sector, and energy sector); supporting sustainable business growth and FDI; and power sector, housing, and fintech</li> <li>• <b>IDA PSW:</b> Investment in first private sector housing company, <i>Pakistan Mortgage Refinance Company</i>, to spur housing market, including in lagging regions (first IDA PSW project in country); support for Ready Made Garment Sector (Bangladesh); and Subordinated Concessional Loan for <i>Nepal Hydro UT1</i> project.</li> </ul>

## SUB-SAHARAN AFRICA REGION

Sub-Saharan Africa (SSA) region is estimated to have contracted its GDP by 3.7 percent in 2020 (6.1 percent in per capita terms). Lower demand for exports of goods (oil, in particular) and services (tourism, in particular), remittances and other sources of private finance have combined with the negative impact on domestic supply and demand of containment measures, and with a high level of uncertainty (discouraging FDI investment, including cross-border) to generate the deepest contraction on record. The rebound in GDP growth is projected to be modest in 2021-22 (3 percent each year), as persistent outbreaks in several countries delayed vaccination, unsecured large external financing needs, and long-lasting damages inflicted by the COVID-19 pandemic to the population (health, education, and social cohesion), to firms (bankruptcies and lost markets), and to governments (indebtedness) may inhibit the recovery.

**Shifts in IFC’s program:** In response to the COVID-19 pandemic, IFC pivoted its program to immediately focus on supporting clients by helping them stay solvent and build resilience. This included providing liquidity to strategic manufacturing and agribusiness companies facing supply chain disruptions while making available working capital financing and advisory to SMEs through loans to financial institutions. Thus, despite the impact of the pandemic on overall economic activity and investment, IFC’s FY20 commitment of US\$4.5 billion was greater than the US\$4.05 billion of FY19. Nearly US\$0.8 billion of FY20 LTF was in direct response to the pandemic. Over 55 percent of own-account investments in the region were in financial markets sector while the SSA advisory portfolio stood at US\$0.4 billion, with 90 percent of the FY20 program spent in IDA, 36 percent in FCS countries, and 22 percent on climate-change related projects.

### IFC’S COVID-19 RESPONSE

Relief	<ul style="list-style-type: none"> <li>• <b>MAS:</b> (i) Technical advice for PPE manufacturing, collaborating with FIG, injecting liquidity into the banking system to help vulnerable agribusiness companies; (ii) Supporting hospitality industry in developing mitigation and recovery program; (iii) Leveraging GHP; (iv) Strengthening regional supply chains; and (v) Scaling up the reach of health quality advisory, and providing AS to higher education institutions to sustainably digitalize their operations.</li> <li>• <b>INR:</b> Improved regulatory environment for private led mini-grids and storage; and support to mobile operators to increase digital financial services to restart certain COVID-19-affected segments</li> <li>• <b>FIG:</b> Providing continued trade and liquidity financing; BOP – working capital financing for MSMEs; equity and mezzanine investments, and AS interventions to help business continuity; refining and developing solutions and increased reach for SMEs</li> </ul>
Restructuring	<ul style="list-style-type: none"> <li>• <b>FIG:</b> Supporting banks to manage potential losses in their portfolios; DARP – new platforms to bring efficient NPL resolution; financial literacy training to facilitate access to financing for smallholder farmers while addressing food security issues for smallholders</li> <li>• <b>INR:</b> Supporting private led mini-grids and storage, traditional independent power producers (IPPs), and assisting in the SOEs restructuring and overall utility performance; encouraging access to essential infrastructure and reducing digital infrastructure deployment costs; and improving investment climate in water management, soil fertility, and access to quality inputs</li> <li>• <b>MAS:</b> Identifying competitive supply chains and distribution network gaps that require investments and SME linkages; re-prioritizing IFC’s agribusiness interventions with an increased focus on food security, logistics, export of cash crops, supporting tourism sector; strengthening critical port and road infrastructure; and performance improvements of medical facilities</li> </ul>
Resilient Recovery	<ul style="list-style-type: none"> <li>• <b>FIG Upstream:</b> Further expanding across the region the FIG Upstream programs on DARP and Gender &amp; Climate, particularly in IDA-FCS countries</li> <li>• <b>Gender:</b> The SWW to support women-owned SMEs in urban areas</li> <li>• <b>Greening:</b> Hotel Green Revitalization Program offering debt and risk mitigating instruments for Green Hotel/Motels in 8-10 countries in collaboration with MAS and the EDGE team</li> <li>• <b>INR Upstream and core business:</b> Investments in Renewable Energy, including working Upstream on replicable hydro program and on expansion of Scaling Solar; developing off-grid solutions to expand rural connectivity; and expanding engagement in less tapped sectors such as urban transport, bulk ports, and temperature-controlled logistics</li> <li>• <b>Transport and cross-border trade:</b> Collaborating with the private sector and governments to streamline procedures for cross-border trade in order to reduce the time and cost of doing business and support more private sector participation in the management of transport infrastructure</li> <li>• <b>PSW Funding:</b> Along with FIG, MAS to help develop local industrialization by assisting in the formalizing of supply chains and increasing productivity through digitization</li> <li>• <b>Manufacturing:</b> Adoption of climate friendly practices with manufacturing clients as well as launching a capacity building program to increase the supply and quality of low- and middle-income housing units</li> </ul>