The Investment Funds Group (IFG) is part of the Financial and Markets Global Practice. The IFG product line was launched in March 2012, to strengthen the World Bank’s support of public and private investment funds. The main goal of the group is focusing on regulatory development, market experience, and market design that support the set-up of three main types of funds: private equity/venture capital funds, sovereign wealth funds, and strategic investment funds.

IFG’s prism to identify solutions to the very significant financial constraints faced by emerging markets is by recognizing where global financial assets originate, how they flow towards different types of investment needs, and whether in the process of doing so, they can fulfill development objectives. In this context, investment funds become extremely important as sources of large financial assets that can mobilize and intermediate individual and institutional investment in such a way that they act as potential agencies for development. As of the end of 2012, investment funds controlled almost $120 trillion, or about 20% of global financial assets—held in pension funds, mutual funds, insurance companies, private wealth and alternative funds.

**Private Equity/ Venture Capital (PE/VC)**

IFG’s objective in the area of private equity/venture capital funds is to stimulate the development of local PE/VC industries as well as to create a conducive environment for both local and foreign PE/VC investors in emerging markets. IFG achieves this objective through a three-pronged approach: 1) conducting comprehensive ecosystem studies to strengthen the business environment and support the legal and regulatory framework for PE/VC such that it provides a clear, predictable, and conducive environment for PE/VC investment; 2) supporting the government as a financial actor in the PE/VC environment, particularly in providing early stage risk financing for SMEs through the creation of government fund of funds or hybrid venture capital funds; 3) partnering with the government and donor institutions in setting up technical assistance facilities and other market catalyzing instruments to help the deployment of PE/VC capital to SMEs.

**Sovereign Wealth Funds (SWFs)**

IFG’s objective in the area of sovereign wealth funds is to support emerging market and particularly natural resource rich low income countries in establishing sovereign investment agencies that seek primarily to either offset the impact of the volatility of fluctuating resource revenue on medium term budget planning (Stabilization); or to save for future generations (Savings). IFG achieves this objective by supporting: 1) the legal framework through which such funds are set up; and 2) the government set up a SWF by providing an integrated set of one-stop WBG solutions (from valuing resources underground, to governance and investment strategy). These integrated solutions are sourced through the cross-functional WB Sovereign Wealth Fund Secretariat, which IFG houses along with World Bank Treasury & the following Global Practices: Governance, Microeconomics and Fiscal Management, Energy and Extractives. They are delivered through a range of advisory, technical assistance and financial products, including reimbursable advisory services (RAS).
Strategic Investment Funds (SIFs)

IFG’s objective in the area of strategic investment funds is to support emerging market and low-income countries in establishing strategic investment funds that are set up by governments to serve as anchor investors in strategic sectors of the domestic economy, including infrastructure public private partnership (PPP) projects and SME funds. IFG achieves this objective through: 1) supporting the legal framework under which such funds are set up; and 2) supporting the government set up a SIF through an integrated set of one-stop WBG solutions including advisory and World Bank financial products to capitalize these funds, sourced through Finance & Markets Global Practice regional teams with the support of the PPIAF multi-donor trust fund; and 3) supporting SIF operations through a range of advisory, technical assistance and financial products, equally sourced through FMGP regional teams and supported by the PPIAF multi-donor trust fund.

Partnerships

IFG’s work program involves partnering with diverse policymakers, regional development banks, academic institutions, trade associations, the private sector and others to seek context-specific solutions to the design and development of investment funds.

Within the World Bank Group, IFG works closely with the IFC Fund of Funds Group, specifically its SME Ventures Program in supporting legal/ regulatory frameworks for private equity and venture capital in IDA countries (including fragile and post-conflict states) and frontier markets. IFG regularly partners with the World Bank’s Trade and Competitiveness Global Practice to support venture capital ecosystem studies and the reform of legal/ regulatory frameworks for PE/VC industry and projects to support the development of the industry in emerging markets. IFG also partners with the World Bank administered multi donor trust fund, Public Private Infrastructure Advisory Facility (PPIAF), to support the establishment of strategic investments funds in emerging markets. Outside the World Bank Group, IFG partners with the Emerging Market Private Equity Association (EMPEA) to co-manage the PE/VC Community of Practice and to contribute to courses, seminars and workshops with PE/VC regulators and market stakeholders.

IFG also currently hosts the World Bank’s SWF Secretariat. Given the growing area of support for SWFs and need for coordination of this support, a cross-WB advisory group on SWFs was established in November 2012, led by the Finance and Markets (F&M) Practice and composed of the Extractive Industries Practice, the Macroeconomic and Fiscal Management (MFM) Practice, the Governance Practice, and World Bank Treasury (TRE). The Secretariat is a technical and administrative body which serves as an operational tool for cross-Practice collaboration on a topic that is highly cross-functional in nature; the Secretariat supports World Bank country management units and regional teams particularly in low income countries that are seeking to set up or further develop their SWFs. The Secretariat’s technical function is dispensed through a SWF Advisory Group composed of various WBG staff (from the Practices listed above) with experience and expertise on various aspects of SWF set up and operations. Starting in FY 16: (i) the Secretariat is being strengthened to serve as anchor for SWF tasks initiated and proposed by the CMUs to plan, staff and monitor engagements across the GPs and TRE (ii) the Secretariat will be co-managed by FMGP and TRE working seamlessly with all GPs participating in the Advisory Group.

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