INTERNATIONAL FINANCE CORPORATION

STRATEGY AND BUSINESS OUTLOOK UPDATE FY23-25

ON THE ROAD TO 2030

Version redacted and disclosed in accordance with IFC's 2012 Access to Information Policy, following discussion with IFC's Board on April 28, 2022.

Contents

Boxes, Figures, and Tables

GLOSSARY

AE	- Advanced Economy
AFI	- Africa Fragility Initiative
AFR	- Africa
AgTech	- Agriculture Technology
AIMM	- Anticipated Impact Measurement and Monitoring
AS	- Advisory Services
BCR	- Budget Coverage Ratio
BOP	- Base of the Pyramid
CAT	- Central Asia and Türkiye
CCAP	- Climate Change Action Plan
CCDR	- Country Climate and Development Report
CDF	- Disruptive Technologies and Funds
CMAW	- Creating Markets Advisory Window
CODB	- Cost of Doing Business
COVID-19	- Coronavirus Disease 2019
CPSD	- Country Private Sector Diagnostic
CSC	- Corporate Scorecard
CUR	- Capital Utilization Ratio
D4TEP	- Digital 4 Tertiary Education Program
DARP	- Distressed Asset Recovery Program
DE	- Development Effectiveness
DEI	- Diversity, Equity, and Inclusion
DFI	- Development Finance Institution
DO	- Development Outcome
DSC	- Deployable Strategic Capital
EAP	- East Asia and the Pacific
EdTech	- Education Technology
EMDE	- Emerging Market and Developing Economy
ERP	- Enterprise Resource Planning
ESG	- Environment, Social, and Corporate Governance
E&S	- Environmental & Social
EUR	- Europe
FCS	- Fragile and Conflict-Affected Situations
FCV	- Fragility, Conflict, and Violence
FDI	- Foreign Direct Investment
FI	- Financial Institution
FIG	- Financial Institutions Group
FinTech	- Financial Technology
FTCF	- Fast-Track COVID-19 Facility
GDP	- Gross Domestic Product
GHP	- Global Health Platform
GRID	- Green, Resilient, and Inclusive Development
GTFP	- Global Trade Finance Program
GTLP	- Global Trade Liquidity Program
GTSF	- Global Trade Supplier Finance Program
HQ	- Headquarters
HR	- Human Resources
IBRD	- International Bank for Reconstruction and Development
IDA	- International Development Association
IEG	- Independent Evaluation Group
IFC	- International Finance Corporation
INR	- Infrastructure and Natural Resources
IOR	- IFC Operations Report
IS	- Investment Services
J-CAP	- Joint IFC-WB Capital Markets Initiative
LAC	- Latin America and the Caribbean
LIBOR	- London Inter-Bank Offered Rate
LIC	- Low-Income Country
LTF	- Long-Term Finance
M2D	- Mandate to Disbursement
MAS	- Manufacturing, Agribusiness, and Services
MCPP	- Managed Co-Lending Portfolio Program
MDB	- Multilateral Development Bank
ME	- Middle East, Pakistan, and Afghanistan
MENA	- Middle East and North Africa
MIC	- Middle-Income Country
MIGA	- Multilateral Investment Guarantee Agency
MSME	- Micro, Small, and Medium Enterprise
NBFI	- Non-Bank Financial Institution
NPL	- Non-Performing Loan
O/A	- Own Account
PCE	- Private Capital Enabled
PCM	- Private Capital Mobilization
PPE	- Personal Protective Equipment
PPP	- Public-Private Partnership
PSW	- Private Sector Window
RAROC	- Risk-Adjusted Return on Capital
RSE	- Real Sector Crisis Response Envelope
SA	- South Asia
SaaS	- Software as a Service
SBO	- Strategy and Business Outlook
SDG	- Sustainable Development Goal
SME	- Small and Medium Enterprise
SOFR	- Secured Overnight Financing Rate
SSA	- Sub-Saharan Africa
STF	- Short-Term Finance
USD	- United States Dollar
VC	- Venture Capital
VPU	- Vice Presidential Unit
WB	- World Bank
WBG	- World Bank Group
WLD	- World Region

WORLD BANK GROUP'S STRATEGIC PRIORITIES

This section provides an overview of the World Bank Group's (WBG) strategic priorities and the alignment of work programs and resources with these priorities. 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 (SBO) paper.

I. STRATEGIC CONTEXT AND PRIORITIES

1. *The WBG has helped countries respond to the COVID-19 pandemic by providing the largest and fastest emergency support in its history.*

The WBG has mounted an exceptional response to help countries respond to the COVID-19 pandemic by providing unprecedented crisis financing; developing a range of rapid, flexible financing instruments and facilities; helping countries acquire and deploy vaccines and strengthen health systems; supporting the private sector to preserve jobs and rebuild markets; and broadening and deepening partnerships around financing, knowledge and capacity building with global, regional and national partners.

Between April 2020 – December 2021, the WBG deployed US$194 billion in financial support to help countries protect poor and vulnerable people, support businesses and bolster economic recovery – the largest crisis response in WBG history. Of this, US$64.7 billion was committed to IDA countries. This represents an 84 percent increase over the prior 21 months for the IDA countries. A special focus of the WBG response has been to help countries acquire and deploy vaccines. Operations in 70 countries, half of which are in Africa, have approved financing of US$7.5 billion to enable the purchase of 510 million vaccine doses. The WBG has also fostered partnerships to support client countries at all stages of the vaccine value chain with the private sector through IFC investments and MIGA guarantees, with donor partners for financing and readiness, and with other organizations to leverage multilateral finance and trade solutions for more equitable access to vaccines. The WBG has also helped countries' health systems cope with the pandemic, including with programs to strengthen health systems, workforce training, management and logistic systems, cold chain capacity, monitoring and evaluation, as well as the provision of key health supplies including Personal Protective Equipment (PPE), diagnostics, and therapeutics, in addition to vaccines and vaccination supplies.

2. *Despite the challenges presented by COVID-19, the WBG has also made significant progress on the implementation of the IBRD and IFC capital package commitments, IDA19, IFC's 3.0 strategy and MIGA's FY21-23 strategy.*

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. IDA19 implementation has been strong with excellent progress made on its policy commitments. Moreover, donors successfully concluded the IDA20 Replenishment negotiations with US$93 billion in funding and an ambitious set of policy commitments, a package that will support the 74 poorest countries globally to build back better from the crisis toward a green, resilient, and inclusive future. IFC has stayed the course on the execution of the IFC 3.0 strategy to create opportunities and markets that attract capital investment at greater scale – including tripling the pipeline of its upstream projects in the last year with 50 percent in IDA and FCS countries. MIGA continued to make progress across its strategic priority areas, with 85 percent of its projects in FY21 focusing on climate mitigation and adaptation, fragile and conflict-affected settings and IDA countries.

The WBG has delivered this unprecedented program by stretching its available financial, budgetary and human resources to the maximum, with tight budget discipline and while COVID-19 restrictions curtailed mission travel and obliged staff to work from home in an almost-entirely virtual environment, juggling associated personal challenges, including home-schooling for young children, COVID-19 exposure and the loss of loved ones.

3. ***Management has provided regular reports on the implementation of the crisis response and corporate priorities, and on results and performance.***

Management has reported regularly to the Board on the implementation of the crisis response and on implementing the Forward Look, the Capital Package[1] and IDA19[2] – all of which highlighted noteworthy progress in delivering on related commitments. The WBG and individual WB, IFC and MIGA Scorecards report annually on results and performance against global and corporate priorities – also confirming that the WBG is performing well across key indicators and made remarkable progress in helping clients respond to the pandemic.

4. ***Going forward, the WBG will need to step-up its support program to help client countries recover from COVID-19, address growing global fragility, and support complex transitions toward green, resilient and inclusive development.***

The WBG objective of supporting developing countries to embed green, resilient and inclusive development in their growth strategies remains robust over the long term but needs to be complemented with a response to short-term emergencies. In particular, the war in Ukraine is having devastating impacts on the country and very serious economic consequences globally. The WBG outlined its integrated approach to GRID in the paper "From Crisis Response to Resilient Recovery"[3] presented to the Development Committee in April 2021. GRID entails building resilience and inclusion across all facets of the economy and society by investing in people and their communities; boosting preparedness for future shocks such as pandemics, natural disasters and financial crises; and carrying out low-carbon transitions in critical systems.

The World Bank, IFC and MIGA will all need to significantly step-up their work program to help client countries recover from COVID-19, address the impact of growing global fragility (including of the war in Ukraine), build resilience and accelerate climate action, while restoring momentum on inclusive economic development, poverty reduction and shared prosperity. This step-up will require a gradual increase in the three institutions' resources during the FY23-25 period to meet related cost pressures, as described below and in the following sections of the SBO papers. Given the evolving situation worldwide and the social and economic impact of the war in Ukraine and growing international fragility, all three institutions will need to respond dynamically to these developments and budgetary resources will need to be flexible to respond to new cost pressures.

[1] "IBRD-IFC Capital Package and the Forward Look Implementation Update", SecM2021-0230/1, IFC/SecM2021- 180/1, Oct. 12, 2021.
[2] IDA19: Implementation Status and Proposed Reallocations, October 9, 2021.
[3] "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; and "WBG Financing for Green, Resilient and Inclusive Development – Towards A Post Pandemic Approach", DC2021-0007, September 16, 2021.

II. Strategic Alignment of Resources and WBG Indicative Planning Trajectories

5. ***The WBG institutions coordinate their strategic planning, budgeting and performance monitoring through the "W" process, actively pursuing synergies and complementarities.***

Delivery of the WBG strategic priorities guide the WBG client engagement and related work planning, costing and resource allocation process. The delivery of a strong and durable recovery, amidst growing global fragility, and resuming progress toward longer-term development goals by accelerating GRID, are the focus of the FY23-25 planning and budgeting cycle. These priorities inform the three institutions' resource allocation and budget trajectories.

The World Bank, IFC and MIGA all have substantial growth in programs relating to financing, knowledge and policy commitments, partnerships and technical assistance - at the global, regional and country levels. In this context, the three institutions will continue to work closely together in several areas where synergies and complementarities can be pursued, leveraging each other's strengths, including on the COVID-19 crisis response, work to strengthen/create markets and mobilize private capital, analytical and advisory work (especially upstream work), leveraging economies of scale/scope (including from the ERP system replacement, real estate and other efficiencies) and coordinating human resource policy changes.

6. ***The World Bank's Strategy and Business Outlook paper and the IFC's and MIGA's Business Outlook Updates set out the planned work programs and budget trajectories for FY23-25.***

The WBG institutions' SBO and Update papers outline the strategic priorities and provide high-level budget trajectories required to achieve them. The World Bank's SBO paper focuses on the strategic priorities to respond to the challenges of the COVID-19 crisis, growing global fragility and regionally destabilizing conflicts and to facilitate the recovery and transition toward GRID. The IFC SBO Update presents five areas where IFC will sharpen its strategic emphasis where challenges have become more acute, continuous engagement is needed most, and new opportunities have emerged due to the pandemic and growing geopolitical tensions. The MIGA SBO Update presents the achievements accomplished and challenges confronted with the FY21-23 strategy for the Agency. Additionally, the papers discuss pressure points arising from increasing costs of doing business and the organizational efficiency and financial sustainability measures being pursued.

The rest of the document follows IFC's format

EXECUTIVE SUMMARY

The global outlook is highly uncertain, and prospects of a global recovery – tenuous before the war in Ukraine – are at risk. Geopolitical tensions and conflict are compounding existing vulnerabilities and interrelated risks, including pandemic recurrences, unsustainable debt levels, surging inflation, and climate change, causing serious reversals in development. Economic recovery in emerging and developing economies (EMDEs), uneven and fragile after two years of the COVID-19 pandemic, has become more tenuous with the war in Ukraine. Commodity price spikes, exacerbated supply shortages in key inputs, and disruptions in transport linkages will likely undermine growth and threaten food security and social stability.

For the private sector in EMDEs, this new normal of persistent uncertainty will be felt across all sectors and markets. Supply shortages of key inputs, be they fertilizers or rare metals, will curb production and profitability at the same time that rising financing costs may increase corporate defaults. The risks of sovereign debt crises and tumbling currencies are likely to put downward pressure on capital flows to developing economies.

At the same time, the private sector is ever more critical to investing, innovating, and creating jobs in client countries where public finances are stretched and development gaps remain large. Opportunities brought about by climate transition, digitalization, and changing patterns of production are growing, and private sector finance and solutions are key to supporting green, resilient, and inclusive development and reversing development setbacks.

IFC is uniquely placed to help clients survive, recover, and seize these new opportunities. IFC 3.0 is essential, and the Corporation's efforts in recent years to establish a framework for delivery paves the way for an effective IFC approach during this time of volatility. Innovative tools, strengthened sustainability and enhanced accountability frameworks, greater global footprint and a strong financial position have bolstered IFC's ability to respond flexibly to acute needs while driving long-term strategic goals. As a result of its strong capital base and well-managed portfolio and balance sheet, IFC can leverage a strong suite of products and partnerships to support recovery. IFC's unparalleled mobilization capacity is a powerful tool to attract investment in EMDEs at scale.

Program volatility is expected to continue for the foreseeable future, but IFC remains firmly committed to its 2030 Capital Package aspirations despite this uncertainty. On the heels of record delivery in FY21, IFC will maintain the trajectory laid out in the previous SBO Update, with total Long-Term Finance (LTF) (Own Account and Core Mobilization) targeted to grow from US$24.3 billion in FY22 to US$31.3 billion in FY25.

IFC will sharpen its strategic emphasis over the FY23-25 outlook period in five areas where challenges have become more acute, continuous engagement is needed most, and new opportunities have accelerated. These priority areas that cut across sectors and geographies are: (i) continuing support for crisis response (trade, jobs, food security) and recovery efforts; (ii) sustaining a sharp focus on fragility and forced displacement across EMDEs; (iii) accelerating efforts towards climate response and energy transition; (iv) supporting digitalization across industries and regions; and (v) supporting healthcare resilience and vaccine access.

Delivering on these priorities will require IFC to innovate and be agile in its product deployment, its processes, and its ways of working. IFC will flexibly use its full toolkit. IFC expects to deploy more short- and medium-term financing to meet liquidity and restructuring demand. New long-term financing demand is expected to be geared towards green investment programs, digital infrastructure, and supply chain diversification. After several years of pruning, IFC will continue to rebuild its equity book and increase mezzanine finance to provide risk capital where it is needed the most. IFC aims to increase local currency finance where conditions allow for domestic private sector recovery. More blended finance will be needed, including from the IDA PSW and new/additional donor funds for MICs, to support climate transition and private sector development in the poorest and most fragile markets. IFC will deploy more capital market instruments such as sustainability and gender bonds, J-CAP, and increase special initiatives supported by Upstream and mobilization platforms.

Resources to support delivery under uncertainty. IFC's administrative budget will be used to sustain the pace of implementation of IFC 3.0 within a highly uncertain environment. The additional resources are required to maintain the pace of hiring in priority regions and countries, ensure continued implementation of the London Interbank Offered Rate (LIBOR) transition to the Secured Overnight Financing Rate (SOFR) and ERP modernization, and cover variable costs as IFC's business activities – business travel in particular – return to pre-pandemic levels.

Chapter 1. External Environment and Impact on the Private Sector

External Context

1.1 Global prospects for an economic recovery, already uneven and fragile after two years of the COVID-19 pandemic, have become more tenuous with the onset of the Russia's invasion of Ukraine. Growth, already expected to slow in 2022 and 2023, will likely deteriorate further as shockwaves from the conflict ripple around the world. Commodity price spikes are likely to exacerbate inflation and, together with regional disruptions along agricultural supply chains, will worsen food insecurity, possibly affecting social stability in client countries. Per capita incomes have remained below pre-pandemic trends, with the most severe impact in fragile countries, countries in conflict, and Small States.[4] While the full magnitude of the impact is uncertain, the Ukraine war is unfolding in an environment of interrelated crises, including the pandemic, climate change, conflict, unsustainable debt levels, and rising inflation, which are causing serious reversals in development and equality between and within countries (see Annex 3).

1.2 The war in Ukraine is aggravating existing uncertainties in EMDEs and will make it more difficult for many to regain ground after a debilitating pandemic and recurrences for which client countries are still not well prepared. The crisis will impact through multiple channels, chief among them soaring commodity prices. Turmoil in commodity markets such as energy, metals, and food, is severe and significant, pushing up inflation, eroding the value of incomes and dampening demand. Shocks to trade and supply chains are disrupting agricultural and manufacturing production with further deterioration likely in the near future. Increased investor uncertainty and weakened business confidence will weigh down asset prices and spur financial turbulence and capital outflows with deleterious effects on EMDEs. The poorest will disproportionately bear the brunt of the direct and indirect impacts of sustained uncertainty and the prospect of prolonged stagflation.

1.3 Reviving domestic private sector-led growth and mobilizing international capital are more critical than ever, especially as record-high debt levels constrain governments' ability to finance support programs and make public investments. Yet, prospects for the private sector are highly uncertain: firms remain financially fragile, holding back on investment,[5] falling into arrears and laying off workers at rates similar to earlier in the pandemic.[6] Women have been particularly hard hit with higher unrecovered job losses relative to men (17.8 and 10.3 percent, respectively) and other setbacks.[7] Small and micro firms have also been disproportionately affected, with hospitality and in-person services continuing to be the most hurt, where women entrepreneurs are heavily concentrated.[8] The war in Ukraine is compounding risks emanating from preexisting economic and social trends that impact the trajectory for private sector recovery, notably:

1.3.1 *First, fragility has increased across the globe, conflict has risen, and violence has flared in recent years.* Geopolitical tensions and conflicts are increasing across regions, both in LICs and MICs, with outbreaks ranging from conflict in the Horn of Africa to the war in Ukraine provoking large-scale displacement and refugee flows. In 2022, some 23 countries – with a combined population of 850 million people – face high- or medium-intensity conflict with dire consequences for both civilians and prospects of development. The private sector, a key engine of economic growth, is particularly vulnerable to sudden shocks and persistent volatility. Although fragility in MICs is widely recognized, there are fewer tools available, such as concessional finance, to support MICs experiencing fragility.

1.3.2 *Second, inflation has surged at a faster-than-anticipated pace globally, triggering monetary tightening and rising interest rates, and is expected to rise further.* Inflationary pressures are building even further on the back of conflict-related disruptions, as both Russia and Ukraine are major exporters of energy, precious metals, and food. Higher interest rates in advanced economies are prompting global investors to shift their portfolios back to those markets, further dampening capital flows to EMDEs. In 2021, just one third of the recovery in global FDI went to developing countries

[4] World Bank, 2022. *Global Economic Prospects, January 2022*.
[5] World Bank Multinational Enterprise Survey, 2021Q2.
[6] World Bank, 2021. *Firm Recovery during Covid-19: Six Stylized Facts*.
[7] World Bank, 2022. *Global Economic Prospects, January 2022*.
[8] World Bank, 2021. *Firm Recovery during Covid-19: Six Stylized Facts*.

and was largely concentrated in China.[9] Expecting a rise in U.S. interest rates, portfolio flows to EMDEs outside of China came to an abrupt standstill in January 2022, with ex-China equity outflows on a net basis of US$3.2 billion and debt outflows of US$4.5 billion.[10] Facing mounting inflationary pressures and risk aversion by investors, EMDEs will have to balance the effects of continuing accommodative domestic monetary policy, currency depreciation, and a damper on economic recovery and growth. A number of large emerging markets (Brazil, Mexico, and Chile) have already tightened monetary policy.

1.3.3 *Third, the pandemic has exacerbated an unprecedented public and private debt boom over the past decade, reaching nearly US$100 trillion in EMDEs and US$300 trillion including developed markets.* Monetary tightening, already underway before the war in Ukraine fueled a commodity price surge, is likely to intensify with severe impacts on debt holders. Many EMDEs, particularly low-income countries (LICs), are at high risk of debt distress or are already in default. Also, private sector debt is at a record high in EMDEs, with nearly US$60 trillion of corporate and household debt.[11] This, combined with a subdued recovery and rising financing costs, may lead to banking sector stress, corporate defaults, and capital flight. Banking sector fragility might be forthcoming; changes in non-performing loan (NPL) ratios between 2020-21 were highest in the financial sector in LICs,[12] even though the overall NPL rate for EMDEs has not yet shown material deterioration.[13] Corporate and household debt has risen significantly in East Asia and the Pacific (EAP), while in all other regions the largest debt-related risks lie in the public sector. More than 20 developing countries have been downgraded since January 2021, with Latin America and the Caribbean (LAC) and Sub-Saharan Africa (SSA) experiencing the largest number of downgrades. Mobilizing domestic and international capital to meet development needs is likely to be more challenging in the near future.

1.3.4 *Finally, the COVID-19 pandemic has accentuated and accelerated two existing trends – the disruption of global value chains and the increase in returns to digitalization.* These structural trends have increased strains in some regions and sectors while creating opportunities in others. As supply disruptions and rising geopolitical tensions prompt companies to diversify their operations, this has created a greater impetus for localization of production, backward and forward integration within countries, and a surge in demand for improved logistics. The war in Ukraine and continued COVID-19-related mobility restrictions in Asia may drive companies to reconsider their supply management and production locales. Similarly, the pandemic has increased the adoption of digital technologies by both consumers and businesses. Further, building the digital infrastructure needed to broaden inclusive access to and lower the cost of high-speed Internet is a priority, as is supporting start-up ecosystems that help create future disruptive technologies.

1.4 *Regional Trends*. Commodity exporters in Latin America and the Middle East will temporarily benefit from a surge in energy prices, while the poorest energy importing countries can expect a balance-of-payments squeeze, tumbling currencies, and retrenchment of domestic demand. Conflict-related supply disruptions and shortened harvests in Ukraine and Russia are escalating wheat prices and may exacerbate food insecurity in key off-take regions like Central Asia, the Middle East, and SSA. Grain exporters elsewhere, such as in Latin America, may not reap the benefits as similar factors are driving up fertilizer prices and constraining supply, negatively impacting agricultural output and farmer profitability. In addition to higher energy prices, countries in Central Europe and Central Asia will face disruptions to trade, investment and remittance flows given regional proximity to the war in Ukraine – about 80 percent of remittances in Uzbekistan are estimated to be from Russia. While global trade grew by 9.5 percent in 2021, the recovery has been extremely unbalanced with Asia dominating merchandise trade as Africa and the Middle East lag.[14] Highly export-reliant regions like East Asia and Europe (EUR) may see their recovery expectations undermined by prolonged global supply

[9] UNCTAD, 2022. Relative to 2020, flows to developing countries rose by 30 percent, far below the 200 percent increase seen in developed economies during that same period.
[10] Institute of International Finance, February 2022.
[11] Institute of International Finance, February 2022.
[12] World Bank, 2022. *World Development Report 2022: Finance for an Equitable Recovery.* The lower-than-anticipated NPL might be masking the true nature of the bank asset quality due to the forbearance measures and differing standards in loan classifications.
[13] 6.3 percent in 2019 versus 6.4 percent in the latest available data.
[14] UNCTAD, 2021. *Trade and Development Report 2021.*

chain disruptions as transit routes through Russia are affected by the conflict. Electronics and automotive value chains between Asia and EUR are particularly exposed. As Russia and Ukraine account for a large number of tourists in developing countries, tourism revenue is set to decline in key destinations in Asia, the Middle East, and Türkiye. A generalized rise in investor risk aversion could lead to capital outflows from EMDEs and to currency depreciations, falling equity market valuations, and rising risk premia in bond markets.

1.5 *Industry Trends*. Recognizing that the impact of Russia's invasion of Ukraine is still unfolding, Table 1 provides a summary of how the external environment is affecting the current performance and priorities across key sectors.

TABLE 1: UPDATE ON KEY INDUSTRY TRENDS

INFRASTRUCTURE & DIGITAL ECONOMY	MANUFACTURING, AGRIBUSINESS & SERVICES
• Recovery in 2021; private participation in infrastructure market recuperating but still below pre-COVID-19 levels • Greenfield and capex investment had been showing slight uptick. The war in Ukraine could stall recovery • Near-term financing needs geared to asset preservation/restructuring via corporate finance, capital markets, equity & local currency solutions • Rising demand for climate/sustainability solutions across all infra sectors (decarbonization, battery storage, district cooling) • Soaring energy prices drive energy security concerns • Telecom and digital infrastructure investments continue to increase, as well as logistics and transport investments • Technological disruption generating new demand in energy/transport/cities	• The war in Ukraine likely to exacerbate uneven recovery across MAS sectors, driven by higher energy prices. Hard-hit sectors include tourism, agribusiness value chain (grains, oil seeds, soy, proteins) and manufacturing (automotive and electronics). Greenfield capex remains limited, except warehousing, forestry • Continued strong demand for trade and working capital, especially in the agriculture sector, driven by rising energy and input prices; supply chain finance to address food security • Supply chain diversification driving opportunities for localized production and new long-term financing needs, e.g., localization of healthcare production for pharmaceuticals, vaccines, and medical technology • Paris Alignment-led focus on climate across sectors (e.g., green buildings, batteries, electric vehicles, low-energy and materials footprint manufacturing)
FINANCIAL INSTITUTIONS (FIs)	**DISRUPTIVE TECHNOLOGY, VENTURE CAPITAL & PRIVATE EQUITY**
• Paradox of high banking sector liquidity and low lending continues as FIs remain cautious due to uncertainty around removal of government forbearance measures and prolonged slowdown. Banks focusing on capital preservation; reducing lending to micro, small and medium enterprises (MSMEs), women and informal workers • Loan demand recovering from a sharp drop in 2020, but average tenor down to 1.6-3 years, reflecting reliance on medium-tenor, revolving facilities; local capital markets development • Demand for trade and liquidity financing remains high and expected to accelerate with new supply disruptions; potential for innovation to address supply chain issues and food shortages • Financial disintermediation – unregulated credit funds challenge banks as a source of LTF • Structural transition to digital finance • Possible increase in credit demand in Eastern Europe and Central Asia due to refugee and returning migrant worker flows, respectively	• Global Venture Capital (VC) industry characterized by high valuations. Pandemic-related era fiscal and monetary policy inflated asset and securities prices leading to excessive valuations. Recent shift to higher interest rates likely to prompt market reversals, creating new equity buying opportunities • In contrast to developed markets, fundraising in EMDEs remains a challenge, especially in Africa and the Middle East; Fundraising led mostly led by DFIs (around 50% of the investor base, often >80% at first close) • Persistent lack of access to equity by female entrepreneurs in EMDEs • Cross-sectoral opportunities dominate disruptive tech and digital economy, e.g., digital health, education technology (EdTech), and digital skills
Cross-Cutting Needs & Opportunities: • Climate Resilience • Energy Transition	• Healthcare and Crisis Preparedness • Recapitalization, Restructuring, Refinancing • Digitalization

IFC PROGRAM UPDATE & BUSINESS OUTLOOK

1.6 Looking ahead, IFC's products and services will be highly relevant to supporting private sector recovery and private clients as they pursue new opportunities brought about by digitalization, climate transition, changing patterns of production, and increased global attention to the environmental, social, and corporate governance (ESG) agenda. While IFC remains firmly committed to delivering on its 2030 Capital Package aspirations, its near-term program will continue to be highly impacted by volatility in client countries. In addition, elevated portfolio risks are present that were not foreseen at the time of the capital increase, driven by the COVID-19 pandemic, historic macroeconomic volatility, and now the war in Ukraine, with significant spillover effects.

1.7 *FY23-25 Outlook.* Over the FY23-25 period, IFC expects demand for short-term trade finance as well as medium-term funding to remain high and intensify due to Russia's invasion of Ukraine. In uncertain times, companies will prioritize and focus on the ability to access working capital, refinance existing facilities, and manage liquidity buffers, while delaying green field or project finance structures, which require long-term finance for capex and capacity expansion. The need for finance will also grow as banks remain cautious in their lending to micro, small, and medium enterprises (MSMEs) given prevailing market circumstances. Short-term finance (STF) has proven critical to keeping viable companies afloat and preserving jobs, especially in lower-income markets. Project size in IDA-FCS countries remains small; but as the recovery resumes, it is expected to grow.

1.8 Although long-term financing demand for greenfield investments in the real sector may remain subdued, rising global interest rates are likely to accelerate client demand for restructuring and refinancing support, including equity opportunities to support recapitalization. Following a period of contraction, IFC has begun to rebuild its equity and mezzanine portfolio under its new equity approach with encouraging early results, providing countercyclical support where it is needed the most. In infrastructure, investment will continue to shift to corporate finance and capital market solutions to strengthen balance sheets[15], and digital infrastructure will continue to be an area with significant demand across regions, particularly in Africa. IFC has experienced a sharp increase in manufacturing investment since the start of the pandemic, driven by demand for liquidity needs and increased demand in pandemic-resilient sectors such as healthcare. Digitalization, decarbonization, and supply chain localization are likely to drive long-term financing opportunities in the infrastructure and manufacturing, agribusiness, and services (MAS) sectors, including healthcare.[16]

1.9 IFC's long-term lending to commercial banks has slowed since March 2020 due to high liquidity and low growth of loan books. Rising global interest rates are likely to continue this downward trend in long-term lending, as the focus shifts to instruments that enable capital preservation and as banks face pressure from both higher debt service costs and ongoing uncertainty around the health of their assets. Risk-sharing facilities and capital relief for banks and financial institutions (FIs), where risk aversion has weakened credit supply, will continue to be important, while the trend to green the FIs and digitalization such as FinTech will drive long-term demand.

1.10 The drive towards sustainable, climate friendly, gender-smart development and digitalization is already transforming investment programs across all of IFC's sectors. This is creating new product markets and spurring new and innovative financing and tools. IFC VC financing is expected to grow in key verticals such as e-logistics and e-mobility, Agriculture Technology (AgTech), Health Technology, and EdTech, taking advantage of the digitalization trend in EMDEs.

1.11 IFC remains firmly on track to meet its climate financing commitments under both the Climate Change Action Plan (CCAP) and the Capital Package. As both sponsor and investor appetite for climate-smart solutions grows, so will the need for new sources of long-term financing (i.e., institutional investors) and de-risking instruments. While blended finance for de-risking climate transition is already available in lower-income markets, new and additional sources of blended finance for MICs are needed to enable innovation in and implementation of emerging climate technologies and business models.

[15] IFC invested in a bond of Liquid Telecommunications Holdings Ltd. (PID 34382), an African telecoms and technology solutions company. Proceeds from the bond will enable the company to refinance existing debt and free up funds to expand its digital infrastructure network across Africa, including in markets with low broadband penetration.

[16] Through the Aspen Pharmacare project (PID 45174), IFC provided €200 million of O/A financing to South Africa's leading pharmaceutical company producing COVID-19 treatment therapies and vaccines in Africa. The Goertek Vietnam Loan (PID 45271) provided US$700 million for a modern electronics production plant in one of Vietnam's poorest regions.

Chapter 2. IFC's Strategic Priorities over FY23-25

2.1 As discussed in Chapter 1, the private sector in developing countries is likely to face persistent uncertainty for the foreseeable future and require support to preserve jobs, restructure, and recover from the compounding crises. Agility and innovation will be needed by both public and private sector actors to respond to the increased volatility while remaining focused on long-term development goals. As demonstrated by both the 2008 Global Financial Crisis and the COVID-19 pandemic, IFC has the ability to pivot quickly and provide strong countercyclical support in times of heightened global volatility. Following Russia's invasion of Ukraine, IFC is again moving quickly to protect staff, support clients, and manage the impacts on its portfolio. With a strong capital base, well-managed portfolio, programs and budgets anchored by IFC Country Strategies, and full operationalization of the Upstream approach, IFC is well-placed to leverage its tools, products, expertise, and partnerships to help private sector clients weather their immediate challenges and pursue a path towards GRID.

2.2 With the need for agility firmly in mind, IFC will sharpen its strategic emphasis over the FY23-25 SBO period in five areas where challenges are increasingly more acute, continuous engagement is most needed, and new opportunities have accelerated. This entails ongoing efforts to provide relief and recovery financing in critical areas, a sharpened focus on increasing fragility, accelerating efforts to address the energy security and climate transition, supporting the transformation of sectors and countries through digitalization, and building healthcare resilience (Figure 1).

Figure 1: IFC FY23-25 Strategic Priorities

	Ongoing Relief and Recovery Efforts	**Sharpened Focus on Fragility**	**Climate Response and Energy Transition**	**Digital Transformation**	**Healthcare Resilience**
IFC's strategic focus areas (the "what")	Supporting ongoing crisis response (trade, jobs, food security) and recovery efforts	Responding to increased fragility, conflict, and forced displacement in IDA-FCS and MICs	Private sector solutions for an accelerating climate crisis	Promote digitalization across all industries and regions	Supporting healthcare resilience and vaccine rollouts by localizing supply chains

IFC's agile response (the "how")

Clients:	Support recovery and growth for both new and existing clients through innovative solutions
Products:	Short- and medium-term finance, restructuring support, capital market instruments, equity, LTF, local currency financing, advisory
IFC 3.0 Enablers:	Upstream project development, mobilization, and blended finance
Processes:	Simplify and innovate on processes and agile approaches, while managing risks
Strategy & budgeting:	Country Strategy-based resourcing and programing, keeping flexibility to adjust to evolving needs

Priority A: Ongoing Relief and Recovery Efforts

2.3 *<u>Short- and Medium-Term Financing for Resilience and Food Security</u>*. As discussed earlier, the trajectory of the global economic outlook is highly unclear. In particular, higher energy, food, and input prices, as well as supply shortages are disproportionately harming the most vulnerable. Food insecurity is rising dramatically and impacts on consumers, producers, and corporations are likely to worsen given Ukraine's and

Russia's prominence in food commodities and fertilizer production. Further knock-on effects are likely, including lower agricultural output, increases in the prices of substitute foods and proteins, and ultimately the number of people suffering from hunger.

2.4 In this context, IFC will continue to support immediate relief efforts through short-term, and increasingly, medium-term financing.[17] The disruption in trade finance is not expected to ease for another year or two as many banks cope with higher NPL levels, higher borrowing costs, and heightened risk in lending. In many markets, banks are holding extra liquidity on their balance sheets due to a slowdown in lending, in addition to their own risk aversion, preferring medium-term tenors instead of long-term financing. With this demand in sight, IFC's Fast-Track COVID-19 Facility (FTCF) will continue playing a critical role. STF tends to have a disproportionate reach in IDA-FCS markets and is also a key tool to initiating client relationships. IFC will also offer medium-term loans where needed, while focusing on long-term financing as the recovery phase ensues. As food security risks intensify across EMDEs, and most agribusinesses require access to short-term financing given working capital intensity in the sector, the demand for IFC's Global Trade Supplier Finance Program (GTSF) and warehousing facility will likely increase.

2.5 *Addressing Gender and Inclusion Gaps*. The pandemic has exacerbated global challenges of poverty and widened preexisting inequalities and gender gaps. To address these gaps, and given pipeline and needs across EMDEs, particularly IDA-FCS countries, IFC will continue utilizing the Base of the Pyramid (BOP) under the FTCF. On the gender front, IFC has expanded and deepened its gender programs and resources across all regions and industries through dedicated resources; it has facilitated a range of financial instruments including debt, equity and bonds, along with Advisory Services (AS) (plus Upstream engagement); and it is also enhancing a country-driven approach by designing more multi-sectoral country gender programs such as in Sri Lanka and the Mashreq Gender Facility with the WB. Further, IFC has invested over US$3 billion in FIs to specifically finance women-led small and medium enterprises (SMEs), made its first investments in housing finance for women, and delivered capital to women entrepreneurs through private equity and VC funds. IFC continues to advance the gender agenda.

2.6 *Mobilization*. With rising fiscal constraints, private capital mobilization (PCM) is critical to closing financing gaps to meet development challenges and is a cornerstone of the IFC 3.0 strategy. Although capital flows to EMDEs rebounded in 2021 to US$1.3 trillion, they are concentrated in a few upper MICs and remain well below the US$4.2 trillion necessary to meet the Sustainable Development Goals (SDGs). Multiple investors and country constraints need to be addressed to increase PCM, including limited scale and pipeline, limited risk appetite, lack of relevant data/benchmarks, underdeveloped capital markets, weak regulatory environment, and long project cycles. Core Mobilization remains IFC's primary target to measure mobilization, and IFC's 2030 Core Mobilization target is 92 cents mobilized for every dollar of Own Account (O/A) Commitments. IFC's annual results exceeded this target in three of the last four fiscal years and are on track to do so again in FY22.

[17] Short-Term Finance, defined as less than 365 days of tenor, represents 90 percent of the Global Trade Finance Program (GTFP) and GTSF. The tenor under GTFP is up to five years. GTFP transactions with tenor between three and five years are categorized as part of Global Equipment Finance Facility (GEFF) and are counted as LTF. Tenors under GTSF are 360 days but all current exposures range from 30 to 180 days.

Box 1: Scaling Private Capital Mobilization

WBG Collaboration	WBG coordination is critical to expand the pipeline of bankable projects – a precondition for greater mobilization. IFC and IBRD both have roles to play in PCE work through Upstream project development and enabling environment reforms. Alignment with the Cascade principles will ensure that WBG institutions work together optimally, leveraging their unique capabilities to deliver and enable PCM most efficiently.
Ongoing IFC Initiatives	IFC is currently developing the next generation of its innovative platforms to increase mobilization: **SEED Bond Fund** • US$1.8 billion fund to mobilize institutional capital into sustainable bonds issued in EMDEs • IFC, Amundi, and donors/ partners to provide a subordinated tranche **MCPP One Planet** • US$3 billion cross-sectoral platform to build EMDE Paris-aligned loan portfolios100 percent Paris Agreement-aligned, leveraging IFC impact reporting
Future IFC Focus Areas	To further scale up, IFC is designing new programs targeting: (i) climate/sustainability; (ii) expanded collaboration with mobilization partners; (iii) capital market development; and (iv) IDA-FCS.

Priority B: Sharpened Focus on Fragility

2.7 Fragility has increased over the past two years, with an estimated 84 million people forcibly displaced due to conflict and violence as of the first half of 2021. Russia's invasion of Ukraine is creating an unprecedented refugee crisis, both in terms of volume and the pace at which it is unfolding. Even before the war, forced displacement had been trending up due to crises in places like the Sahel Region and Ethiopia. Most refugees globally are hosted in developing countries, adding to existing economic pressures and exacerbating vulnerabilities. To help alleviate these pressures, IFC is increasingly engaging in forced displacement contexts through a growing number of advisory projects and some investments, with financial inclusion, investment promotion, and vocational training among the key priorities. IFC and the United Nations High Commissioner for Refugees are currently preparing a Joint Initiative to harness respective institutional strengths to develop an integrated approach to private sector solutions for forced displacements.

2.8 Fragile, Conflict, and Violence (FCV) situations are not confined to LICs and are increasing in MICs. Over the past decade, there have been more deaths from political violence and homicides in MICs than in LICs. Equally, drivers of fragility are varied, and economic vulnerabilities, aggravated by COVID-19 and exacerbated by current geopolitical tensions, can increase fragility in client countries. This poses unique challenges to private sector operations, raising capital costs and deterring both domestic and foreign investment.

2.9 IFC continues to make strong progress towards its Capital Package aspirations in IDA-FCS. IFC's strategy in IDA-FCS includes (i) strong Upstream focus; (ii) continuing to scale up the use of de-risking instruments (over US$1.8 billion in IDA funds have been Board-approved through the IDA PSW to support private sector projects in eligible markets, catalyzing an additional US$5.4 billion of development finance institution (DFI) and private capital); (iii) deepening collaboration within the WBG on private sector-oriented policy reform, using Country Private Sector Diagnostics (CPSDs) and IFC Country Strategies; and (iv) innovative platform approaches such as the Africa Fragility Initiative (AFI).[18]

2.10 Of particular note, IFC Management is increasing efforts to support fragile situations in MICs. In FY21, IFC established a new Regional Vice Presidency that encompasses the Middle East, Central Asia, Türkiye, Afghanistan, and Pakistan to strengthen Management oversight and staffing for these countries. While the IDA PSW is enabling IFC and MIGA to play a catalytic funding role in eligible IDA-FCS markets, blended finance is notably limited for fragility-affected MICs. Most recently, IFC has taken on two new blended finance facilities: Alfaq Aljadida Private Sector Development Facility (MENA PSD) and Blended Finance Facility for

[18] AFI is a five-year Advisory/Upstream effort to support the growth and development of the private sector across 32 FCV-affected African countries, including through subregional platforms (e.g., the Sahel and West Africa, and Great Lakes and Central Africa). It is a successor to the Conflict-Affected States in Africa (CASA) program, IFC's first FCS-enabling platform that ran from 2008 to 2021.

Refugees.[19] However, additional resources will be needed to increase the financial viability of high-impact projects in these markets.

PRIORITY C: CLIMATE RESPONSE AND ENERGY TRANSITION

2.11 Climate change – one of the key global risks and threat multipliers – will require a concerted, continuous global effort, and staying the course amid other emerging crises. Even as consensus deepens around the importance of private sector finance and solutions for mitigation and adaptation efforts in EMDEs, significant challenges remain. Challenges to increasing investment include a lack of bankable projects and long-term market certainty; volatile legal and regulatory environments and underdeveloped local financial markets; an absence of globally accepted standards and taxonomies for climate-related products; a lack of enhanced ESG disclosure standards; and the risk-return profile (e.g., the high cost of new technologies and the associated technical, commercial, and regulatory risks). Further, the war in Ukraine has sent energy prices soaring, wreaking havoc in some fossil fuel importing countries and inflaming concerns over energy security. At the same time, exporting countries may ramp up production as a result. In either case, investment may be diverted into high-emitting energy projects.

2.12 Private finance has been difficult to mobilize for adaptation measures, especially in LICs, due in part to a lack of availability of climate-related risk data to derive investment decision-making on strengthening the resilience of assets, as well as to a lack of bankable projects focused on building system-wide resilience and adaptation measures. Although climate investment needs are vast across the income spectrum, MICs, which account for 98 percent of EMDE emissions, face unique challenges due to the scarcity of donor support in the form of blended concessional finance to de-risk new and unproven technologies and decrease the cost of decarbonization efforts.

2.13 IFC is party to the FY21-25 WBG CCAP, publicly announced in June 2021.[20] To address CCAP commitments and climate challenges in EMDEs, IFC is undertaking the following key actions:

(i) *Setting global standards.* IFC works with peer DFIs and standard setting bodies to develop global taxonomies and standards for investment products. In addition, through its work with the Carbon Pricing Leadership Coalition, IFC advocates, where possible, for business-appropriate carbon-pricing policies with private sector clients. IFC also integrated climate risk screening and assessment as part of the ESG due diligence.

(ii) *Increasing climate finance and making projects bankable.* IFC is scaling up climate finance to reduce emissions and climate vulnerabilities in five areas: (i) energy, (ii) agriculture, food, water, and land, (iii) cities, (iv) transport, and (v) manufacturing. To advance this commitment, IFC announced that all new projects be 85 percent aligned with the goals of the Paris Agreement starting July 1, 2023, and 100 percent starting July 1, 2025. Beginning FY22, IFC started to assess new real sector projects for Paris Alignment, beginning at the concept stage. IFC's Paris Alignment framework for FIs and funds has been developed and will be piloted starting FY23.

To drive decarbonization of industry, IFC is committed to working with client countries and the private sector to pursue solutions that both accelerate the energy transition and support energy security. For example, in the case of Bangladesh, which is dependent on heavy fuel oil for power generation, IFC is working Upstream to develop cross-border power trade in renewable energy from India to Bangladesh. Further, IFC continues to develop new climate products such as sustainability-linked loans and bonds, and blue loans and bonds, as well as new platforms to mobilize private climate finance as discussed above. IFC is also developing Upstream programs, with themes such as the circular economy and e-mobility, to increase the available pool of bankable projects and to further mobilize private finance.

(iii) *Risk mitigation in MICs.* Blended finance is instrumental to supporting climate solutions, especially in MICs, through two main channels: (i) de-risking investments at the frontier, either geographic or

[19] Prospects Partnership for Refugees and Host Communities in East and North Africa and the Middle East.

[20] Commitments include: (i) to achieve an average of 35 percent per year of the climate finance through 2025, (ii) to screen all projects for physical climate risk by FY2023, and (iii) to advance private sector solutions for climate adaptation nature-based solutions.

technological, and (ii) crowding in private capital to scale climate solutions.[21] While the IDA PSW supports IFC in meeting its ambitious climate targets in IDA and FCS countries, IFC estimates that it needs approximately US$1 billion of blended concessional finance capital from donors over the next five years to mobilize additional capital towards climate investments in MICs, especially by developing more bankable projects, supporting new technologies for decarbonization, and supporting adaptation and resilience.[22]

Priority D: Digital Transformation

2.14 Digitalization plays an important role in supporting economic development.[23] Digital technologies are changing global, regional, and local value chains, decreasing the cost of doing business, reducing trade barriers, improving firm-level productivity, and creating new business models through digital platforms. Yet major gaps remain for developing countries both in terms of access (23 percent of the population in LICs have no access to a mobile broadband network[24]) and financing (while developed markets experienced a boom in start-up fundraising in 2021, risk capital for tech-enabled start-ups in developing countries remains scarce beyond a few MICs). Further, financing start-ups is often led by DFIs, which represent around 50 percent of the investor base in EMDEs and often more than 80 percent at first close in more challenging markets.

2.15 IFC's strategy to support digitalization rests on five pillars: (i) strengthening digital infrastructure and platforms, with a focus on IDA-FCS markets using blended finance, Upstream, and AS; (ii) increasing investment in digital-enabled services and digital transformation[25]; (iii) supporting technology entrepreneurship and disruptive technologies, particularly in climate technologies, through seed funding, VC and blended finance; (iv) supporting digital skills development; and (v) investing in emerging areas of importance in the digital economy such as artificial intelligence, machine learning, and creative industries in developing countries. IFC's digital infrastructure investment increased tenfold in the last few years, driven by the Africa region, with projects in submarine cables, terrestrial fiber, telecom towers, and data centers. IFC expects this to grow in the coming years as demand for digital infrastructure continues to increase. Previously focused on later-stage funding, IFC is stepping up its support for VC, including through the extension of the US$30 million Startup Catalyst Program and Startup Catalyst Frontier Markets, supported by the IDA PSW, to provide pre-seed and seed capital to incubators and accelerators to support digital entrepreneurs and their early-stage technology companies.

Priority E: Healthcare Resilience

2.16 Unequal access of developing countries to vaccines, health services, and key medical products is expected to be a primary driver of global economic uncertainty and impact preparedness for future pandemics. Working in close coordination with the WBG as well as public and private sector partners, IFC's strategy in the healthcare sector focuses on (i) increasing developing countries' access to key medical products and services (such as PPE, vaccines, other pharmaceuticals, and healthcare services) and (ii) creating healthcare resilience and pandemic preparedness through support for sustainable regional health value chains. IFC is implementing this strategy through multiple avenues including:

(i) *The Global Health Platform (GHP)*. GHP remains a key instrument for IFC in investing and mobilizing financing for the vaccines, medical technology and pharmaceutical sectors. IFC's current investment pipeline is focused on the creation of regional manufacturing capacities for medical equipment and pharmaceuticals.

(ii) *Enabling Upstream work*. IFC's Upstream efforts prioritize increasing regional production capabilities for pharmaceuticals, medical devices, and consumables, supporting public-private collaboration, and

[21] One Planet Lab, 2021. *Blended finance for scaling up climate and nature investments.*
[22] FY21 Board Updated on Blended Finance, December 9th, 2021.
[23] DC2022-0002
[24] UNCTAD, 2021. *Digital Economy Report 2021*.
[25] For example, Software as a Services (SaaS), AgTech, FinTech, DigiHealth, EdTech, cybersecurity, e-logistics, and Digital Financial Services.

supporting innovative models to increase access to affordable diagnostic and treatment services such as Digital Health (DigiHealth).

(iii) *Advisory support*, including programs that help healthcare companies assess and improve the quality of their services (Healthcare Quality Advisory Program, supported by the governments of Japan and Norway), the PPE Advisory Program (supported by the government of the United Kingdom), and programs to improve the ability of FIs to offer financing to healthcare MSMEs by increasing their bankability (Africa Medical Equipment Facility Advisory Program, supported by the government of Norway).

AGILITY: WORKING DIFFERENTLY AND IMPROVING PRODUCTIVITY AND EFFICIENCY

2.17 Continuing to make IFC's internal processes faster and more agile is not only a key priority for IFC Management but is also necessary for IFC to realize its strategic priorities, respond to uncertain circumstances, and achieve its Capital Package aspirations. IFC has introduced an expedited processing procedure for existing clients, building on initiatives such as FTCF. This extends to existing clients in good standing and includes features of the FTCF such as streamlined "Early Look" replacing Concept Note, leveraging existing portfolio and related project documents to accelerate go/no-go decisions, virtual appraisals for lower-risk projects, and reliance on innovative mobile technologies and local consulting expertise to assess environmental and social (E&S) risks where possible. Efforts are underway to look holistically at processes and procedures and to introduce other improvements for delivery to clients, including for new clients.

2.18 In addition, IFC engaged in discussions with the Board on Platforms. With a continuous emphasis on process improvements, IFC expects further efficiency gains across Platform sub-projects with a meaningful impact on IFC's cost of doing business and processing timelines, while maximizing impact. Finally, IFC has quickly responded to the war in Ukraine by safely evacuating staff and establishing task forces to holistically assess the impact and respond.

CHAPTER 3. PROGRAM OUTLOOK FOR FY23-25

3.1 IFC's FY23-25 program outlook is presented against key dimensions of the IFC Corporate Scorecard (CSC), which provides projections along five strategic dimensions: Development Impact, Financial Sustainability, Program and Client Delivery, Efficiency, and Diversity and Inclusion.

3.2 The CSC aligns IFC's near-term delivery with its 2030 Capital Package aspirations. Although it provides annual estimates for the current and two ensuing years, progress towards 2030 will not be linear. As the COVID-19 pandemic has shown and the war in Ukraine confirms, projections and forecasts can be subject to considerable volatility around the 2030 trend line.

3.3 In the SBO Update last year, IFC revised its program targets due to the global pandemic, holding FY22 values flat for certain metrics (total LTF commitments, O/A LTF commitments, IDA-FCS, and LIC-IDA and IDA-FCS shares), with growth expected to resume in FY23. This reflected the immediate situation of depressed demand for long-term financing and slow recovery in the most fragile markets. Short-term financing targets were also revised upward in response to rising liquidity needs. IFC's FY23-25 CSC is presented in Table 2.

3.4 Despite the ongoing pandemic and high geopolitical and macroeconomic uncertainty, IFC will maintain the targets outlined in last year's SBO. This reflects an expected rebound in medium and long-term finance volumes across IFC's sectors, an increase in equity, and a gradual return to in-person and in-country business development efforts, as pandemic restrictions ease. At the same time, IFC will closely monitor possible direct and indirect impacts from Russia's invasion of Ukraine on both the pipeline and the portfolio. Active portfolio management, mobilization, greater selectivity in the equity approach, and the inflow of new capital from shareholders are providing IFC with a solid financial buffer to confront future volatility while continuing its strategy of scaling activities in higher-risk markets. While volatility may impact year-on-year performance, IFC is staying the course to deliver on IDA-FCS, climate, and gender, and to generate strong development impact in a financially sustainable way.

3.5 This chapter will highlight select aspects of IFC's program that are critical to enabling the Corporation to deliver over the SBO forecast period while also continuing to pursue the medium/long-term aim of building a pipeline of sustainable and bankable projects. These aspects include (i) Upstream and Advisory, (ii) Equity, and (iii) Development Impact and Portfolio Approach. The chapter will also provide an overview of IFC's capital adequacy position. Chapter 4 will present a discussion of the CSC dimension Diversity and Efficiency, including a preview of IFC's expected resource needs.

TABLE 2: IFC CORPORATE SCORECARD

Indicators	FY21 Actuals	FY22 Targets	FY23(E)	FY24(E)	FY25(E)	FY30 Goal[1]
Ex-ante Development Impact						
Avg. Ex-ante AIMM Score for Commitments (#)	53	50	50	50	-	-
Percentage of AIMM4AS Rated Projects with an Overall Project Rating of at Least "Satisfactory" (%)	100%	95%	95%	95%	-	-
Percentage of Commitments with Contribution to Market Creation Potential Rating of "Very Strong" (%)	5%	15%	18%	18%	-	-
Ex-post Development Impact						
Avg. Portfolio AIMM Score for Active Investment Operations (#)	45	>45	>45	>45	-	-
Satisfactory Development Outcomes of Investment Operations (IEG Rating)	Achieved	Improving	Improving/ Stable	Improving	-	-
Advisory Services Successful Development Effectiveness (IEG Rating)	Achieved	Improving	Improving/ Stable	Improving	-	-
Financial Sustainability						
IFC debt portfolio RAROC (%)	3.2%	>8%	>8%	>8%	-	-
Equity portfolio total return ~ MSCI	-6.9%	>0	>0	>0	-	-
Program & Client Delivery						
Total LTF Commitments (excl. MIGA): O/A + Core Mobilization (US$, billions)	23.3	24.3	26.4	28.8	31.3	48
LTF O/A Commitments (US$, billions)	12.5	14.2	15.2	16.4	17.6	25
IDA-17 + FCS as a % of LTF O/A Commitments	25%	31%	31%	32%	34%	40%
IDA17-FCS & LIC-IDA17 as a % of LTF O/A Commitments	8%	10.5%	11%	12%	13%	15-20%
IDA-17 as a % of LTF O/A Commitments[2]	23%	30%	n/a	n/a	n/a	-
Climate as a % of LTF O/A Commitments	32%	35%	35%	37%	37%	35%
IDA-17 LTF Project Count as % of LTF Projects[2]	33%	35%	n/a	n/a	n/a	-
Short-term Finance (STF) Commitments (Trade and Supply Chain Finance) (US$, billions)	8.2	8.0	8.3	8.7	9.1	-
Cumulative IDA-19 PSW Board Approvals (US$ billions)[3]	0.5	1.3	0.83	1.7	-	-
Share of Women Directors nominated on IFC Board Seats	54%	50%	50%	50%	-	50%
Annual Financing Dedicated to Women and Women-led SMEs (O/A + Mob.) (US$, billions)	0.42	0.58	0.67	0.77	0.89	1.4
Upstream 5-year Cumulative (Rolling) Investment O/A Pipeline (US$, billions)	16.4	23	30	30	30	-
Client Feedback/Satisfaction (% Satisfied)	n/a	85%	85%	85%	-	-
Efficiency						
Budget Coverage Ratio (%)	98%	<95%	-[4]	-[4]	-	-
Savings Through Efficiency Gains & Economies of Scale (US$, millions)	60	>=60	>=60	>=60	-	-
Mandate to Disbursement (M2D), Median Days	262	239	229	229	-	-
Diversity & Inclusion						
Gender Balance Index	0.84	0.88	0.89	0.89	-	-

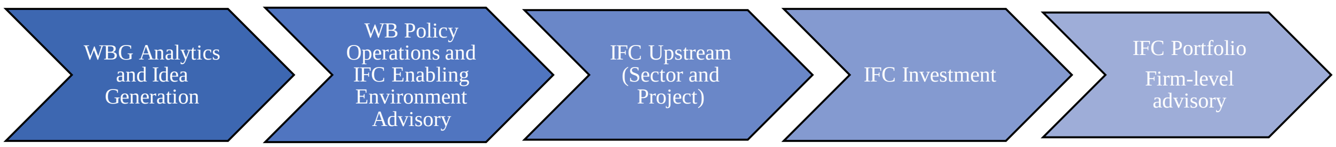
[1] FY30 Goals as agreed in the Capital Package. [2] This target is not part of the Capital Increase Commitments and was intended to be tracked through FY22 only, as stated in the FY16 Net Income Paper, hence the FY23-25 target values are "n/a". [3] FY21 IDA-19 PSW Board Approvals cycle has been reduced to two years (FY21 and 22). The new cycle starts in FY23, hence the drop in the target from the cumulative target in FY23. [4] As discussed with the Board, IFC will retain the current definition of the BCR. BCR targets for FY23-25 will be determined as part of the FY23-25 CSC deliberations, when there is more visibility on income trends and the administrative budget proposal has been approved by the Board. They will be included in the FY23Q1 IOR.
Other Notes: "n/a" denotes the indicator will be available at the end of the FY.

PROGRAM & CLIENT DELIVERY

UPSTREAM / ADVISORY OUTLOOK

3.6 *Advisory and Upstream – working along a "continuum" to generate investment*. IFC Advisory and Upstream offer a complementary solutions-mix that supports the WBG's operational continuum, i.e., from analytical and idea generation to investment (Figure 2). These solutions (i) enhance the private sector at the country level (Enabling Environment Advisory), (ii) develop investment opportunities and direct investments and mobilize capital at the project level (IFC Upstream and Investment), and (iii) improve the operations of portfolio companies at the client level (Firm-level Advisory). AS and the Upstream approach allow IFC to be proactive in building a pipeline of projects by removing constraints, and responsive to addressing challenges and risks emerging from changes in the external environment.

FIGURE 2: ADVISORY – UPSTREAM CONTINUUM



3.7 IFC's traditional AS has progressively adapted and redirected its activities to contribute and lead to Upstream interventions with a "line of sight to investment". For example, in the Dominican Republic, IFC AS supported the local capital markets regulator to develop a national green taxonomy to help local FIs identify and invest in green opportunities that IFC could support as a debt or bond investor.

3.8 Coordination between AS and Upstream teams continues to improve. Country-driven budgeting, joint business planning and pipeline oversight, and mixed-staffing pilots such as the joint Upstream and Advisory units in the CAT and ME VPU have supported collaboration. For example, Advisory, Upstream, and Investment teams collaborated to further markets such as Mongolia's agribusiness and Fiji's housing sectors.

3.9 IFC will continue to deploy traditional AS in areas of strategic importance, for example where addressing regulatory conditions is necessary to catalyzing private sector investment with no immediate line of sight to investment, or where firm-level advice adds value to or reduces risk in investment portfolio clients.

UPSTREAM BUSINESS

3.10 IFC has made significant progress over the past two years to formalize, add dedicated resources, and incentivize Upstream. Upstream operations have ramped up significantly. Upstream-enabled LTF has grown since FY20 and is on track to increase further, with a one-to-one O/A-to-mobilization ratio. Pipeline growth is expected to stabilize in the near future as Upstream finds its steady state of operating and new projects and initiatives replace successful conversions and dropped projects.

3.11 Beyond strategic alignment, commitments to date show that Upstream-enabled investments also have a strong expected development impact, with higher overall Anticipated Impact Measurement and Monitoring (AIMM) scores and very strong market-creation potential relative to IFC's corporate average.

3.12 As Upstream is expected to expand the universe of bankable projects, it will generate additional profitable investments and contribute to IFC financial sustainability over time. Several drivers will be at work, including conversion rates, time to conversion, financial return of enabled investments, and support of donors and other partners for this approach. While IFC currently tracks conversion rates and other efficiency metrics of its Upstream activities, these metrics are not yet stable and will be more comparable across time once operations mature. IFC expects this period of pipeline moderation to set in over the FY23-25 period. Critical ingredients to Upstream success are the further integration of staff onboarded during two years of virtual working and the resumption of in-person interaction with clients and on-the-ground business development. This will require continued patience, resourcing, and collaboration with external partners.

3.13 The toolkit for the Upstream approach continues to expand as teams innovate. Project development tools initially developed for infrastructure sectors through the InfraVentures program are being updated and expanded across all sectors[26] and regions through Collaboration and Co-development engagements with clients. Through Co-developments, IFC engages early to co-develop a project in line with IFC standards, expertise, and knowledge while securing financing and investment rights to the project once it is bankable. Through Collaborations, IFC partners with clients at even earlier stages of the project cycle.

3.14 Another area of focus is globally replicable products and platforms. Promising examples include the Digital for Tertiary Education Program (D4TEP), Scaling Mini-Grids, Global Digital Health Platform, Scaling Wind, and the Hotel Green Revitalization program. Upstream is also developing cross-sectoral solutions in thematic areas of growing importance, including affordable housing, e-mobility, asset recycling, circular economy, cities, and urban infrastructure.

3.15 As uncertainty increases, the need for maintaining, strengthening, and creating conditions conducive to private investment is becoming more urgent. WBG collaboration to scale Upstream efforts and mobilize private capital is critical. Ongoing efforts at systematizing the Cascade approach are bearing fruit. Through its reform and advisory efforts, the WB plays a unique role in improving a country's operating environment for private sector-led development while MIGA guarantees complement these efforts by providing political risk insurance and credit enhancement for cross-border private investors. IFC's diagnostic and market insights are vital to the effectiveness of the WB's policy engagement. For example, the Distressed Asset Recovery Program (DARP) is an IFC-WB Upstream effort, for which WB staff members were recognized as part of the project teams in the most recent round of Upstream milestone awards.

Financial Sustainability & Capital Adequacy

3.16 IFC is entering the coming SBO cycle in a strong financial and capital position. This provides the Corporation with a critical buffer to weather future uncertainty, while also pursuing its 2030 goals.

Equity Overview

3.17 *Rebuilding the Equity Book amid High Volatility.* IFC's equity investments play a critical role not only for its clients, given the scarcity of equity capital in EMDEs, but also for IFC's own financial sustainability. The past few years have seen a marked contraction in IFC's equity commitments. This has been driven by the adoption of a revised equity approach to promote higher-quality investments and IFC's active management of equity sales. The deliberate slowdown in new equity investments prior to the pandemic helped to lower the negative impacts of the crisis on IFC's financial performance.

3.18 More recently, IFC has implemented a series of improvements throughout the equity project life cycle. These include: (i) monetizing mature positions, taking advantage of elevated valuations and (ii) divesting from small, non-performing exposures. After incurring unrealized losses of US$1.6 billion in FY20, the performance of IFC's equity book has rebounded strongly.

3.19 Looking ahead, IFC continues to take advantage of equity opportunities leveraging this new equity approach with an aim to grow the equity commitments over the next three years and by increasing the volume and the share of O/A LTF, though sector-specific drivers, macroeconomic conditions, and potential shifts in the geopolitical landscape on the heels of the war in Ukraine will impact the scale of and need for IFC equity financing. IFC will focus its pipeline development: (i) on supporting corporates and FIs to strengthen their balance sheets in the context of record leverage, rising interest, and potential stagflation, (ii) in areas where economic growth is more likely to resume; and (iii) on working closely with portfolio and prospective clients to explore growth opportunities in key strategic areas including climate, inclusion, and sustainability. Mobilization remains central to IFC's equity strategy. IFC Asset Management Company, IFC's equity mobilization division which has raised over $10 billion to invest in IFC's equity transactions, continues to raise and manage third party capital to extend IFC's reach across the global emerging markets.

[26] In August 2020, the Board approved a resolution in the FY20 Net Income Allocation (NIA) Paper that IFC be authorized to allocate funds to and carry out the operation of Upstream initiatives to implement early-stage project preparation and development across all sectors of operation. Further, the Board delegated authority to IFC's Management to approve commitments of a portion of the funds allocated to Upstream initiatives annually using relevant instruments similar to those previously performed by InfraVentures.

DEBT OVERVIEW

3.20 Proactive portfolio management has helped IFC's debt portfolio remain robust throughout the COVID-19 crisis. However, tightening spreads resulting from excess liquidity conditions (particularly in the financial sector) have put downward pressure on Risk-Adjusted Return on Capital (RAROC). Going forward, as existing portfolio investments are exposed to changes in risk rating and expected losses, volatile political and macroeconomic conditions can lead to increased volatility in IFC's portfolio RAROC.

CAPITAL ADEQUACY

3.21 IFC updated its Economic Capital Framework and replaced its existing capital adequacy metric, the Deployable Strategic Capital (DSC) ratio, with the Capital Utilization Ratio (CUR) as part of its Capital Adequacy Framework update effective FY22Q1.[27] The CUR is defined as Capital Required divided by Capital Available. Capital Required is measured based on IFC's Economic Capital Framework and represents the amount of capital required to support the investment and treasury portfolios plus operational risk at a triple-A confidence level. Capital Available is defined as balance sheet capital minus designated retained earnings. There is a one-to-one mapping between the CUR and DSC ratio, expressed as CUR = 90% - DSC ratio.

3.22 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 equity gains and losses, as well as changes in the actuarial value of staff benefit plans, plus any designations for AS.

3.23 Although IFC's current capital position has improved, it remains highly volatile. The impact of the war in Ukraine on IFC's balance sheet and capital position is not yet known. Prudent portfolio management coupled with capital encashments are vital to enable IFC to meet its long-term commitments.

DEVELOPMENT IMPACT & PORTFOLIO APPROACH

3.24 IFC's AIMM system is integral to the Corporation's decision-making process to identify and ultimately deliver impactful projects in ever more challenging markets and in evolving, external environments. In addition, AIMM is a key component of the Portfolio Approach, enabling IFC to construct and manage its investment portfolio to optimize development impact and financial sustainability. This is even more important in uncertain times that require IFC to be nimble. From an accountability and learning perspective, IFC continues to engage closely with IEG, and development impact ratings for IFC Investment and Advisory projects are showing marked improvements (see Annex 4).

3.25 In FY22, the ex-ante average AIMM score for new projects has continued to improve. The share of projects rated "very strong" for market creation increased during FY22. Similar to previous periods, no single factor explains the improvement, although pandemic-era emergency support facilities declined in number during this period while longer-term, transformational projects (which generally have higher AIMM scores) have trended up.

3.26 IFC continues to refine AIMM. A review to strengthen the underlying approach is underway. Among others, it will look at how to refine the framework to respond to emerging needs. These include: (i) testing approaches to AIMM score platform investments, which involve the clustering of investment projects to address a systemic development challenge; (ii) updates to assessing development gaps and project intensities in light of unique economic consequences arising from the COVID-19 pandemic and other shocks; (iii) enhanced focus on capturing market evolution (incremental and transformational) and building IFC's capacity to better monitor contributions to market development; and (iv) strengthening methodologies to assess job

[27] The update to IFC's Economic Capital Framework provides increased granularity in economic capital calculations, while bringing IFC's definition of capital available more closely into alignment with the financial statement number. Key principles are: (i) capital for the debt portfolio is based on a matrix, determined by credit risk rating and facility risk rating; (ii) capital ratios are set for the equity portfolio, based on fair market value exposures; and (iii) the definition of capital available is based on the balance sheet capital number, less designated retained earnings. Please refer to the 'IFC FY21 Annual Report on Financial Risk Management and Capital Adequacy' for more information.

creation and environment/climate claims. In addition, IFC is making progress with assigning ex-post AIMM scores to its portfolio projects, a key ingredient to enable a feedback loop for the portfolio approach.

3.27 *Portfolio Approach.* The Portfolio Approach is a critical tool, enabling IFC to optimize development impact and financial sustainability at the portfolio level. It is the consistent application, each year, of a systematic methodology for program oversight and decision making, as it enables IFC to contextualize expected profitability and impact results of investments against annual targets. Piloted in FY20, the Portfolio Approach has now been formalized and integrated into several IFC decision-making and review processes. For example, the Portfolio Approach is a standard feature of Operations Committee portfolio reviews.

3.28 The Portfolio Approach now provides three full fiscal years of ex-ante data, enabling robust analysis. The strength of the Portfolio Approach will only increase as the dataset continues to grow, and as it reflects a portfolio where all projects have undergone an AIMM assessment. Over time, IFC will be able to provide real-time feedback on annual program performance against targets and enable analysis of expected versus actual development impact and financial return performance. By FY22-end, about 40 percent of IFC's active projects will have been assigned an AIMM portfolio score. Based on latest estimates of loan maturity and equity holding times, this coverage will move closer to 75 percent by FY25.

3.29 A key feature of Portfolio Approach is an interactive tool available to IFC staff. This dynamic dashboard tool is currently being integrated into a widely used Operations Data Hub for easier access and use.

Chapter 4. Resourcing Delivery

4.1 This chapter details how IFC aligns its resources with strategy and maximizes efficiencies to enable sustainable delivery of the FY23-25 program in line with IFC 3.0 ambitions and Capital Package commitments.

Staffing and Workforce Planning

4.2 IFC implements an annual workforce planning process to define the number, level, and location of positions and associated skill sets required to deliver on the business strategy and operational targets. The objectives of the workforce planning exercise have been to increase productivity by leveraging senior staff, re-aligning the skills mix, and focusing on priority areas in line with IFC 3.0.

4.3 *Global footprint.* In line with IFC 3.0, IFC remains committed to delivering in FCS countries through a combination of in-country presence and a hub model. To incentivize the work in the most difficult markets, IFC will continue to put a premium on FCS experience for operation roles in its talent management processes, including promotions, in FY23-25.

4.4 *Talent Management.* Recognizing the need to continue attracting and retaining the best talent in an increasingly competitive environment, IFC is committed to increasing opportunities for mobility, strengthening transparency and consistency around career progression, and simplifying human resources policies and processes.

4.5 To support the large number of new staff who joined during the COVID-19 pandemic, IFC enhanced the corporate virtual onboarding program and provided mentoring opportunities designed to help new hires navigate the organization, build professional skills, and network. As we progressively return to office, the expansion of mentoring programs and other forms of collaboration and networking will be critical for new staff to adapt to the IFC culture and fully integrated into the organization.

4.6 *Awards.* In addition to the annual Corporate and Departmental Awards, IFC introduced two new awards in FY21: the Upstream Milestone and Upstream Top-Up Awards. Given that Upstream efforts may take multiple years to result in committed investments, these awards are intended to recognize interim achievements, such as catalyzing a new opportunity, converting Upstream engagement into an investment mandate, or proactive and disciplined termination of unproductive activity. As the Upstream pipeline continues to grow and converts into more committed investments, the level of recognition through these two new award programs is expected to increase during FY23-25.

4.7 *Diversity, Equity, and Inclusion (DEI).* For FY23-25, IFC has identified three strategic DEI priorities: (i) inclusive leadership – deliver programs that build behavioral capabilities to lead diverse, inclusive, and equitable teams starting with a focus on learning initiatives and addressing unconscious bias in processes such as recruitment, performance management, and talent reviews; (ii) performance management culture – introduce performance management objectives for all grades focused on all three components of DEI that create a culture of accountability; and (iii) gender equality – implement initiatives that include gender pay gap analysis and public disclosure, increased adoption of parental leave, especially for men, and increasing trust around reporting instances of sexual harassment and discrimination.

4.8 In addition to the three strategic DEI priorities, IFC will continue to strengthen its position as a DEI leader through various communication channels, including social media campaigns and engagements with Employee Resource Groups.

4.9 *Gender Balance Index Targets.* In FY21, to align with the new 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) (see Table 3). At the end of FY22Q2, IFC's Gender Balance Index was 0.841 compared to the Gender Balance Target of 0.88 for FY22-end.

TABLE 3: DIVERSITY METRIC IN IFC'S FY22 SCORECARD

	Indicators	FY22 Targets	FY23(E)	FY24(E)	FY21-23 Average	FY21 Actuals	FY30 Goal
Diversity*	Gender Balance Index	0.88	0.89	0.89	0.88	0.84	n/a

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

ANNEX 1. REGIONAL ANNEXES

AFRICA

REGIONAL CONTEXT

In 2022, the economy of the African continent is projected to grow at rate of 3.7 percent, with the region experiencing its second consecutive year of growth following the contraction of 2 percent in 2020. However, this rebound is projected to be differentiated across countries – those that entered the COVID-19 crisis with elevated risks of fragility, debt distress, and weak and uncompetitive investment climates are expected to recover less strongly than others. As a result of the ongoing war in Ukraine, Africa may benefit from higher commodity prices, but will likely be negatively impacted by higher food import prices, lower tourism from Russia and Ukraine, and worsened global financial conditions. Nevertheless, going forward, Africa's ability to encourage GRID will critically hinge on leveraging four underlying forces: (i) regional integration; (ii) digitalization; (iii) urbanization; and (iv) addressing climate change. This could open up new private investment opportunities in services including education, finance, healthcare, renewable energy, and climate smart agriculture, as well as urban infrastructure and affordable housing, connectivity infrastructure, and regional value chains (agribusiness and light manufacturing).

PROGRAM OUTLOOK

Moving forward, IFC will continue to use its localized global expertise to bridge the infrastructure gap, build a productive real sector, and lead inclusive business approaches, linking its interventions to cross-cutting priorities of climate, gender, partnerships, and investment climate. Drawing lessons from the COVID-19 crisis, with consideration of key risks that may negatively impact the region such as a slower anticipated recovery due to lingering effect of COVID-19, IFC will continue supporting the recovery while building resilience against future shocks by (i) deepening and strengthening the region's value chains, (ii) focusing interventions on fragile, small, and underserved markets and firms including through the AFI, the Sahel, the Horn of Africa, and the IFC MSME initiatives, (iii) addressing systemic challenges that the crisis amplified like the insufficient local production capacity of pharmaceuticals on the continent and the need for affordable housing to address increasing urbanization rates, (iv) promoting climate change solutions and further operationalizing climate efforts under the commitments articulated in the CCAP, and (v) regional integration where MICs will play a critical role as gateways and hubs for innovation, such as with IFC's investment in Liquid Telecommunications Holdings which will facilitate access to digital and cloud services across Africa.

EXAMPLES OF GRID ACTIVITIES

	GREEN	RESILIENT	INCLUSIVE
ACTIVITIES	• INR: IFC invested in a **hydropower** plant, Kinguele Aval, to bring low-cost, clean power generation capacity to Gabon. The project is expected to generate approximately 9% of the country's current electricity output, which is enough to serve 32,000 customers and save over 90,000 tons of emissions per year. IFC committed up to €33 million O/A and a concessional senior loan of up to €20 million from the Canada IFC Renewable Energy Program for Africa. IFC also mobilized a €98 million through the African Development Bank, the Emerging Africa Infrastructure Fund, and the Development Bank of Southern Africa.	• MAS: IFC recently signed an investment mandate with a multinational integrated healthcare provider (Avacare Health) to fund the expansion of its Pan-Africa **pharmaceutical** distribution and manufacturing network. This engagement further strengthens IFC's footprint in supporting development of a strong vaccine and pharmaceutical ecosystem in Africa.	• FIG: IFC MSME Initiative is a US$1 billion pledge for new financing targeting **MSMEs** that will be delivered through innovative structures including: (i) profit-sharing loans and customized technical assistance to MSMEs; (ii) guarantees to local subsidiaries of pan-African banks to allow them space in their capital for on-lending to MSMEs increasing financial inclusion; and (iii) working with digital partners on embedded finance and mobile money to accelerate the digitalization of the SME lending market in Africa.

Central Asia and Türkiye

Regional Context

The economy of Central Asia and Türkiye (CAT) is estimated to have grown by 6.6 percent in 2021 benefiting from higher commodity prices, recovery in trading partners, and a stronger bounce back of economic activity during the year, despite mobility restrictions. However, average growth in CAT is projected to moderate at 4 percent in 2022 and 2023. In Türkiye, an expansionary monetary policy has fueled inflation and large exchange rate depreciation, leading to a volatile external position. Meanwhile, the COVID-19 pandemic has had an adverse effect on labor markets and household incomes in the region – stalling or reversing progress in the fight against poverty (poverty rate change ranging from 0.4 percent decline in Tajikistan to 10.2 percent increase in Kazakhstan from 2019 to 2020). The war in Ukraine is expected to have an adverse economic impact in the region, particularly on Türkiye, the Kyrgyz Republic, and Tajikistan. Türkiye may face further soaring of energy prices and reduction in trade and tourism with its two Black Sea neighbors which are relevant trade partners. Overall, continued deterioration in the security situation could increase the risk of instability in the region. The countries in Central Asia may experience slowing economic growth, trade and FDI flows, disrupting capex investments and value chains, and shrinking remittances. The social infrastructure and resources of Central Asian countries will be stretched if migrant workers in Russia end up returning to their home countries in large numbers as economic activity in Russia continues to drop. Going forward, the main downside risk factors are twofold: one – a surge in inflation in major economies could prompt central banks to start reducing liquidity support to markets, which could tighten global financing conditions, and two – business insolvencies and layoffs, which were put on hold due to fiscal support measures during the pandemic, could suddenly intensify once the support is withdrawn.

Program Outlook

IFC's long-term priorities rest on addressing CAT's major development challenges within the framework of green, resilient, and inclusive recovery by helping to (i) address climate change and build resilience, (ii) increase private sector participation, (iii) strengthen the financial sector by addressing NPLs and diversify sources of funding, (iv) improve connectivity through investment in transport (air and road), logistics, and digital infrastructure, (v) support inclusive development through engagements in sustainable municipal growth and social infrastructure, (vi) enhance export competitiveness through improved integration in cross-border value chains across the manufacturing and agricultural sectors, and (vii) strengthen human capital. IFC will seek to collaborate with the WB and governments to expand the implementation of Public-Private Partnerships (PPPs) in key areas of social infrastructure such as the health and education sectors.

Examples of GRID Activities

	GREEN	RESILIENT	INCLUSIVE
ACTIVITIES	• INR: Scaling Solar program, for a photovoltaic **solar park** in the Navoi region, followed by two more **solar PPPs** in the Jizzakh and Samarkand (Uzbekistan) • INR: OEDAS **electricity distribution** company (Türkiye)	• INR: Modernization of Almaty **Airport** (Kazakhstan) • INR: Antalya **Airport** Expansion (Türkiye) • MAS: KordSa Global (Türkiye)	• FIG: TBC Uzbekistan (Uzbekistan) • FIG: Uzpromstroybank (Uzbekistan) • FIG: KMF LLC (Kazakhstan) • MAS: Indorama Agro LLC (Uzbekistan) • INR: Izmir Izsu **sustainability linked loan** (Türkiye) • CDF: 500 Istanbul's **Fund** II (Türkiye) • FIG: TSKB **Women** Inclusive Businesses (Türkiye) • FIG: Akbank refugee impacted areas (Türkiye)

East Asia and the Pacific

Regional Context

While economic growth in EAP rebounded from 1.2 percent in 2020 to an estimated 7.1 percent in 2021 – driven primarily by China – the speed of recovery differed considerably among countries. By 2021-end, the aggregate EAP output excluding China was about 3 percent below the pre-pandemic level. The pandemic shock has reduced employment and increased poverty and inequality. All EAP economies have experienced an increase in public debt and widening budget deficits. While external demand has been supportive and helped sustain regional exports, services exports continue to suffer because of the collapse of tourism. As economic activity slowly gains momentum on stronger domestic demand and easing mobility restrictions, it is still dampened by the lingering pandemic. Growth in EAP is projected to slow to 5.1 percent in 2022 against the backdrop of slowing global demand, as growth in major economies moderates. In China, growth is forecast to slow to 5.2 percent on average in 2022-23, while growth in the rest of EAP is projected to accelerate to 5 percent in 2022 as domestic demand strengthens. However, the outlook is fragile and downside risks predominate due to elevated external debt, high external financing needs, rising interest rates, and unexpectedly high inflation.

Program Outlook

In the near term, the COVID-19 response is expected to remain a significant share of EAP's business. In parallel, IFC is ramping up the program with a clear shift from direct COVID-19 response towards programs and activities rooted in the GRID approach. Climate action and environmental sustainability remain central to all EAP programs. Complementing a significant scale up in green financing, IFC will build on the successful piloting of blue bonds and the launch of IFC's Blue Finance Guidelines. IFC will also step-up efforts in advancing circular economy throughout EAP and increasing operations related to energy transition. IFC will seek to mitigate the pandemic-induced damage and build greater resilience across human capital dimensions (notably health, education, and gender and inclusion), deepen and green capital markets, and enhance business digitalization and connectivity through improved transportation and logistics. IFC will support connectivity and strengthen inclusion by continuing its focus on digital infrastructure and solutions. Cross-border operations remain key; IFC will continue enabling technology transfer and shifting production bases to less developed markets. IFC will continue leveraging the financial and knowledge capacity of regional hubs via cross-border engagements including global platforms and initiatives. In Singapore, the presence of industries, Upstream, Treasury, and WB teams will continue to open markets and create opportunities in priority areas.

Examples of GRID Activities

	GREEN	RESILIENT	INCLUSIVE
ACTIVITIES	• FIG: green **bond** for *China Bank* (Philippines); green and blue **bonds** for banks (Thailand); 30 by 30 Zero AS to promote green financing (Philippines) • INR: renewable energy investments across EAP • INR: financing for a **water and wastewater** company (China, Indonesia) • INR: Upstream activities in **Cities** agenda (Philippines, Vietnam, Thailand, and Mongolia) • CDF: New tech and **platforms** via Upstream	• FIG: Distressed asset solutions; thematic bonds in MICs; securitizations (Philippines, Thailand); enabling environment for bonds (Lao PDR); open banking (Philippines, Indonesia) • INR: green **data centers** across Asia; financing to *CREI Phils* to build telecom towers (Philippines) • MAS: **Tourism** financing for *Destination Capital* (Thailand); Sustainable **agriculture** and **food safety** (Vietnam, Mongolia) • INR: water and air **transportation** in MICs; upstream/investment in dry **port** (Lao PDR)	• FIG: **MSME financing** via banks and NBFIs – Growsari (digital SME retail distribution platform); BOP investments (Indonesia, Philippines); Digital Banking (Philippines); *SeaBank* (Vietnam) • MAS: Affordable **health** upstream via PPP (Indonesia, Philippines, and Vietnam); elderly care (Thailand) • MAS: Affordable **housing** – Nam Long Bond (Vietnam); Green and Climate Resilient Affordable Housing PPP (Timor-Leste); **Agriculture value chain** (Fiji, Vietnam, Cambodia)

EUROPE

REGIONAL CONTEXT

After contracting by 3.2 percent in 2020, the EUR region experienced a robust economic rebound in 2021. Real Gross Domestic Product (GDP) is estimated to have grown by 4.6 percent, owing to stronger-than-anticipated recovery in domestic and external demand, particularly in the EU. Over the near term, GDP growth is projected to decelerate to 3.2 percent in 2022 and 2.7 percent in 2023 (pre-war estimates) due to global supply bottlenecks and energy shortages, rising inflation, and diminished macro-fiscal support. Fiscal space is nearly depleted in most countries due to unprecedented fiscal expansion and sharp rises in public debt levels. Monetary easing has already begun to be rolled back to contain inflation. The ongoing war in Ukraine will have wide-reaching effects on EUR, slowing down economic growth, disrupting trade flows and value chains, escalating commodity prices, and shrinking remittances. The social infrastructure and resources of neighboring countries will be stretched given an unprecedented number of refugees (4 million as of March-end 2022). Downside risks to the outlook stem from a potentially protracted military conflict, new variants, vaccine hesitancy, persistent inflation, continued supply bottlenecks, financial stress, and escalating geopolitical tensions.

PROGRAM OUTLOOK

In the recovery stage, the EUR region presents opportunities to support recovery and build back better through engagements in (i) climate finance to support energy transition, decarbonization, and climate-smart municipal solutions for green development, (ii) technology innovation, VC market development, local currency solutions, and NPL resolution for resilient recovery, and (iii) affordable housing, microfinance, agriculture finance, digital infrastructure, and health for inclusive growth. EUR has been a climate champion for IFC, innovating and testing new products and approaches. In this vein, the region provides opportunities for IFC to lead the introduction of sustainability-linked financing structures as well as blue loans/bonds. The region is utilizing the IFC 3.0 toolkit to scale up climate business, with Upstream and Advisory identifying new investment opportunities for increased impact and demonstration effect. IFC will remain selective in engagements dedicated to the implementation of IFC 3.0, leveraging the Upstream process and Cascade approach in close collaboration with the WB.

EXAMPLES OF GRID ACTIVITIES

	GREEN	RESILIENT	INCLUSIVE
ACTIVITIES	• MAS: Eurobonds for green certified industrial, logistic **buildings** (Romania, Serbia) • FIG: green bond for **housing and climate finance** (Romania) • INR: Energy efficient **transport** solutions (Ukraine) • MAS/INR: Upstream activities in **RE**, battery storage, e-waste recycling, waste-to-energy, **off-shore wind**, green transformation of MAS sectors (Poland, Romania, Croatia)	• MAS: Manufacturing **value chains** to enhance competitiveness (Western Balkans) • INR: **ports** in Ukraine, **airport** in Bulgaria • FIG: Financial diversification through **MFIs** (Kosovo) and **NBFIs** (Romania) • CDF: **Private Equity/VC Funds** (Southeast EUR) • INR: CPSD analysis of **Logistics and Transport** (Azerbaijan, Moldova, Georgia (ongoing), Ukraine (complete))	• FIG: Expanding **digital finance** through FintechOS (Romania) and Evocabank (Armenia) • FIG: **MFI** lending with PSW (Kosovo) • MAS: *Galnaftogaz* **agriculture finance** project (Ukraine), pre-harvest finance (Eastern EUR) • FIG: Upstream AS on **affordable housing** (Kosovo) • AS for women entrepreneurs (Armenia)

Latin America and the Caribbean

Regional Context

In LAC, economic growth rebounded to 6.7 percent in 2021 boosted by supportive external conditions. Regional growth is projected to slow to 2.6 percent in 2022 and 2.7 percent in 2023 due to long-run weaknesses in productivity growth, sluggish labor market improvement, tighter macroeconomic policy, softer external demand, and a fading boost from last year's rise in commodity prices. Downside risks have increased as rising inflation has triggered policy interest rate hikes. Higher spending on social safety nets, healthcare, and support to businesses during the pandemic coupled with lower revenues has further increased government debt.

Program Outlook

In FY23-25, LAC expects to regain pre-pandemic growth of its LTF program, about half of which should come from PPP and other mobilization for GRID operations, supplemented by annual STF commitments. This will be complemented by Upstream and blended finance, especially for climate and gender activities. GRID operations will focus on cross-cutting themes including digitalization, decarbonization, sustainability-linked financing, near shoring of manufacturing production, access to finance for women and MSMEs, health and human capital, sustainable agribusiness, resource efficiency, and connectivity.

Examples of GRID Activities

	GREEN	RESILIENT	INCLUSIVE
ACTIVITIES	• MAS: Investment in a new **float glass** production plant in Argentina reduces energy use and GHG emissions in the construction and automotive industries • FIG: Supporting nascent **green building finance** market in Peru through first green mortgage finance in LAC, including a Market Accelerator for Green Construction blended finance component	• INR: Universal **sanitation and water** coverage with resource efficiency under the *Utilities4Climate* initiative by providing a sustainability-linked loan to support water loss reduction and energy efficiency improvements in Brazil • CDF: Investment in regional **VC fund** promoting development of technology solutions to disrupt various real sector business models	• FIG: Improving **financial inclusion** of legal Venezuelan Forcible Displaced Persons (FDPs) by supporting an MFI in Colombia with digitalization of products and services • FIG: Investment focused on increasing **access to housing** for women in low- to middle-income households in Colombia, Panama, and El Salvador

MIDDLE EAST, AFGHANISTAN, AND PAKISTAN

REGIONAL CONTEXT

The Middle East region grew by 2.4 percent in 2021 after a 4.4 percent contraction in 2020. Oil-exporting economies grew by 2.7 percent while growth for oil-importing economies was negative 8.5 percent in 2021 (negative 16.9 percent in 2020). The region faces an uneven recovery as oil exporting countries account for 95 percent of regional GDP. The median fiscal deficit for the Middle East improved to 3.8 percent of GDP in 2021 while the median current account deficit narrowed to 1.4 percent, driven by a strong oil market benefiting the oil-exporting countries. Pressing challenges for the Middle East include climate vulnerabilities and rising fragility. Pakistan's economy is recovering from the impact of the pandemic and grew at 3.9 percent in FY21. However, inflation and pressures on external account due to high commodity prices (amplified by the war in Ukraine) and buoyant demand are key challenges to sustaining the growth momentum (projected growth 4-5 percent in FY22/medium term). In Afghanistan, the fall of the internationally recognized government led to discontinuation of most international aid (75 percent of public expenditures) and has created an economic and service delivery crisis. The private sector is at risk of collapsing.

PROGRAM OUTLOOK

IFC's priorities in the Middle East are (i) supporting sustainable job creation, (ii) mitigating climate change and fostering resilience, (iii) bridging infrastructure gaps, (iv) increasing access to finance (SME and gender focus), (v) strengthening human capital (health and education), (vi) fostering economic inclusion of women and youth, and (vii) facilitating regional integration. IFC will leverage ongoing advisory and upstream work to support entrepreneurship, innovation, and digitalization, support reforms and help institutions build transparency in policymaking, enhance corporate governance including state-owned enterprises, and promote PPPs. In Pakistan, IFC will focus on increasing private investment in priority sectors with engagement hinging on strong reform efforts (jointly with WB/DFIs). Key focus areas include: (i) addressing structural issues in the power sector; (ii) development of the housing market; (iii) facilitating digitalization and enhancing credit for MSMEs; (iv) supporting urban infrastructure development through PPPs and subnational finance; and (v) promoting climate resilient investments across sectors. In Afghanistan, the current program is on pause and near-term WBG engagements will focus on humanitarian needs with possible private sector partnerships to support livelihood opportunities.

EXAMPLES OF GRID ACTIVITIES

	GREEN	RESILIENT	INCLUSIVE
ACTIVITIES	• FIG: **Green finance** regulations for State Bank of Pakistan (Pakistan) • MAS: Engro Polypropylene – to reduce/recycle **plastic waste** (Pakistan) • INR: FRV/Arabia One **solar**, Deahan **Wind** energy (Jordan) • INR: Advisory for **Solar PV** – Al-Sadi Malta Ltd; municipal financing solar PV plants by Governorate of Hadramout (Yemen) • MAS: Averda **Waste Management** company (Middle East)	• INR: Two PPP mandates (**water** supply) in Sindh (Pakistan) • CDF: TRUKKER – **e-logistics** solutions (Middle East and Pakistan) • MAS: IFC loan to Hikma Group (first Middle East commitment under FTCF). • Multiannual country programs responding to forced displacement in Jordan, Lebanon and Iraq with the WB and UN agencies	• Shared workspace program – including **women** entrepreneurs (Pakistan) • MAS: Luminus **College** provide liquidity support for youth and women (Jordan) • CDF: Co-investment vehicle with BECO in high potential **start-ups** (Middle East) • FIG: Support to PayPal – **FinTech** operation, launch wallet and scale up business payments (Gaza) • FIG: Building **SME operations** for Bank of Iraq (Iraq) • FIG: PayCo covers the full spectrum of **e-payment** (Iraq) • FIG: Tamweelcom, **MFI MSME** (Jordan)

SOUTH ASIA

REGIONAL CONTEXT

The pandemic had a pronounced impact on the South Asia (SA) region. The economy barely reached the pre-pandemic level in 2021 despite strong growth of 7 percent. The recovery was driven by monetary and fiscal support and a pickup in external demand. Private investment and consumption remained muted amid three waves of the pandemic. Although macroeconomic stability has been preserved, fiscal imbalances have widened, with the debt-to-GDP ratio close to or above 100 percent in several countries. MSMEs and the informal sector continue to grapple with the impact of the pandemic. Meanwhile, the corporate sector, especially in India, gained strength, boosted by higher export demand and lower financing costs. Strong headline GDP growth and rapid growth in the technology sectors attracted capital inflows and boosted capital markets. The WB and IMF project GDP growth in SA at 7.5 percent in 2022 and around 6 percent in the medium term. Risks to the outlook stem from new waves of the pandemic, elevated energy costs, and tightening monetary policy potentially leading to higher inflation, capital reversals, and weaker currencies.

PROGRAM OUTLOOK

IFC aims for a significant increase in its LTF to the region. Macroeconomic stability in some countries and the speed of key microeconomic reforms in others, such as financial sector in Bangladesh and private participation in infrastructure, will be critical. The expected program will emphasize operational work related to gender, technology, energy transition (including RE), and capital mobilization. These efforts are linked to the upstream work on cross-border trade, battery storage, e-mobility, and expansion of the transmission capacity. IFC is also working on greening of the financial sectors and aims to build up green urban infrastructure programs. To promote resilience, IFC will prioritize efforts to strengthen balance sheets in the banking and corporate sectors, develop efficient and resilient value chains, and mainstream climate adaptation in project development. To address inclusion, IFC will continue efforts to improve financial inclusion, strengthen healthcare systems, and increase access to affordable and green housing. As the economy recovers, IFC will revamp its MSME finance program, targeting women and increasingly climate.

EXAMPLES OF GRID ACTIVITIES

	GREEN	RESILIENT	INCLUSIVE
ACTIVITIES	• INR: Continuum Energy Green Bond - An anchor investment in a maiden **bond** of a leading provider of renewable energy for C&I sectors (India) • INR: *Tabreed* District Cooling - An upstream enabled equity investment in a **platform** company (India) • MAS: *Hamza **Textiles*** – Investment with IDA PSW to support expansion, modernization, and greening of one of the leading producers (Bangladesh) • MAS: Green Building Investment Vehicle – An upstream project to create an investment vehicle for securitization of green loans by **real estate** developers/owners (India)	• FIG: Financing with IDA PSW for **working capital** loans to pandemic hit companies (Bangladesh, Maldives) • MAS: Working capital to preserve operations of a leading RMG exporter and employer (Sri Lanka) • INR: Bay Terminal InfraV – Early-stage upstream enabled equity investment to develop a new terminal of main **port** (Bangladesh) • CDF: AI-enabled SaaS – A market assessment, to examine the potential of AI SaaS **start-ups** as a driver of growth and positive social impact (India)	• FIG: Financing to leading **NBFIs** for MSMEs, gender, or climate (India) • FIG: A loan to *HDFC* to grow its nascent affordable and green **housing** portfolio (India) • CDF: An equity in one of the first Nepal focused **PE funds**, with a co-investment from IDA PSW (Nepal) • MAS: An equity investment in a leading genetic diagnostics and research company to expand access to diagnostics and COVID-19 testing (India) • CDF: **Digital platforms** – Equity investments in *Waycool*, India (linking farmers to markets), *UpGrad*, India (largest online education platform), *Chaldal*, Bangladesh (on-line grocery)

Annex 2. IFC 3.0 Toolkit[28]

Tools		
Country Private Sector Diagnostics (CPSDs)	**54 complete** (post-decision review meeting) Afghanistan, Albania, Angola, Azerbaijan, Bangladesh, Bolivia, Botswana, Burkina Faso, Burundi, Cameroon, Central African Rep., Chad, Chile, Colombia, Cote d'Ivoire, Dem. Rep. of the Congo, Ecuador, Egypt, Eswatini, Ethiopia, Fiji, Ghana, Guinea, Haiti, Honduras, Indonesia, Jamaica, Jordan, Kazakhstan, Kenya, Kyrgyz Republic, Madagascar, Malawi, Mali, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nigeria, Pakistan, Philippines, Rwanda, Senegal, South Africa, Sri Lanka, Sudan, Thailand, Togo, Tunisia, Uganda, Ukraine, Uzbekistan, Vietnam	**12 under development** Benin, Caribbean Regional, Dominican Republic, Georgia, Guatemala, Lebanon, Mauritius, Moldova, Niger, Peru, Romania, Türkiye
Strategic Products		
IFC Country Strategies	**61 complete** Albania, Angola, Argentina, Armenia, Bangladesh, Bhutan, Bosnia and Herzegovina, Brazil, Burkina Faso, Cambodia, Cameroon, Central African Republic, Chad, China, Colombia, Cote d'Ivoire, Dem Rep of Congo, Dominican Republic, Egypt, El Salvador, Ethiopia, Fiji, Gabon, Gambia, Ghana, Jordan, Haiti, Honduras, Indonesia, Jamaica, Kazakhstan, Kenya, North Macedonia, Madagascar, Malawi, Maldives, Mali, Mexico, Mongolia, Morocco, Mozambique, Myanmar, Nigeria, Pakistan, Papua New Guinea, Paraguay, Philippines, Rep. of Congo, Rwanda, Senegal, Serbia, Sierra Leone, South Africa, Sri Lanka, Timor-Leste, Türkiye, Ukraine, Uzbekistan, Vietnam, Namibia, Djibouti	**9 under development/planned** Botswana, Chile, Niger, Romania, Somalia, Thailand, Togo, Tunisia, Uganda
Sector Deep Dives	**18 complete** (and presented to the Board) Agribusiness, AgTech, Capital Markets, Chemicals, Digital Economy, Digital Infrastructure, Education, FinTech, Funds, Health, Housing, Insurance, Manufacturing, Microfinance, Power, SME Finance, Textiles, Water and Sanitation	**3 under development** Circular Economy, DARP, Digital Technology and Services
Frameworks		
AIMM	• Completed ten quarters of implementation, rated over 1,850 investment projects, developed four new rating methodologies for investments platforms and/or operations (Financial Institutions Group Crisis Response Envelope and RSE Facilities, the GHP, BOP, and refinancing operations). • AIMM for AS completed ten quarters of full implementation with the first four quarters being on a pilot basis and following a gradual roll-out. FY21 was the first full year of implementation. To date, approximately 80 projects have been rated and nine sector frameworks developed.	
Platforms		
IDA PSW	Utilized **US$1.5 billion** across 86 commitments to support **US$2.6 billion** in IFC O/A commitments	
MCPP	Raised **US$10.1 billion**, through 11 operating partnerships	
J-CAP	Raised **US$62 million** for market building advisory. Two new J-CAP countries are in the process of being added. As well as looking to launch joint IFC-WB operations in at least one additional "supplemental" country, which had been pending.	**US$1,010 million** of issued/committed deals. J-CAP is working to develop new areas and platforms for investment including a multi-originator securitization platform in West Africa with IFC Upstream, building on the previous J-CAP supported NSIA single-originator securitization transaction.
Instruments		
CMAW	Since FY18, **US$182 million** approved for over **700 projects** in **75+ countries; 75%** of total approvals were for projects delivering advice to clients; **59%** in AFR across FIs, Agriculture, Manufacturing, Enabling Environment, and Infra.	
Thought Leadership		
Continued focus on thematic reports about the role of technology, including green, in development in emerging markets and resulting investment opportunities for firms as well as growing impact investment (e.g., report Investing for Impact – The Global Impact Investing Market 2020, July 2021).		

[28] As of February-end 2022

Annex 3. A Challenging Environment for Private Sector Development, Select Metrics[29]

	AE	EMDE
a. Slowing growth prospects cloud the outlook…		
- Growth rates (percentage, 2022)	3.8	4.6
- Deviation of output from pre-pandemic trends (percentage, 2022)	-0.5	-3.9
- Economies with lower per capital GDP relative to 2019 (percentage, 2022)	0	39
b. … which is affecting private sector investment		
- Deviation of investment from pre-pandemic trends (percentage, 2022)	-0.4	-4
- Growth rates for FDI relative to 2020 (percentage, 2021)	199	30
- Change in trade volume as a share of GDP relative to 2019 (percent, 2020)	-11	-8
c. Several factors disproportionately constrain EMDE recovery…		
- Share of people with a complete initial vaccine protocol (percentage, latest available)	74	55
- Share of countries with inflation greater than 5 percent (percentage, latest available)	45	65
- Total debt as a share of GDP (percentage, 2022)	302	205
- Change in NPL ratios (percentage 2021 vs. 2020)	-0.4	0.1

[29] Sources: GEP, UNCTAD, WDI, Our World in Data, Trading Economics. Latest available

ANNEX 4. IEG-IFC ENGAGEMENT

Development Impact Results. IFC is engaging closely with the Independent Evaluation Group (IEG) to incorporate lessons learned from previous crises and to agree on an approach for evaluating projects that have been adversely impacted by the COVID-19 pandemic. IFC's ability to course-correct projects in response to changing environments will be key to maintaining its relevance. Given IFC's commitment to increase investments in IDA-FCS and amid trends of intensifying global uncertainty, it is increasingly less likely that investments evolve as anticipated at approval, raising a question about balancing assessing IFC performance against expectations at project Board approval versus how IFC has responded to a changing context and how effectively the corporation supported its clients and achieved optimal project outcomes. Moreover, as detailed in IEG's Results and Performance of the WBG (RAP 2021),[30] the Development Outcomes (DO) and Development Effectiveness (DE) ratings for IFC's Investment and Advisory showed signs of marked improvement following IFC's implementation of a concerted turnaround strategy to address internal work quality issues, and account for external risk factors and broader market trends.

The latest annual results for Investment Services (IS) and AS have increased to 68 and 65 percent, respectively.[31] IEG also indicated the improved quality of self-evaluations for both IS and AS. An increasing share of Expanded Project Supervision Reports (XPSRs) are being nominated as best practice from 10-12 percent in between 2016 and 2018 period to 20 percent in 2019 and, for AS, an increasing share of projects that have quality evidence to a "sufficient extent" and "great extent" increasing from 62 percent and 46 percent in FY16 to 70 percent for both categories in FY19. IEG also noted a reduction in variance gap between IFC and IEG ratings from 31 percent in CY17 to 8 percent in CY19 for IS and for AS, 41 percent for FY16 sample to 13 percent in the FY19 sample.

IFC will continue to engage with IEG on results frameworks for specific types of products and related methodologies, such as thematic and country program evaluations, and strategic as well as knowledge and learning engagements. Beyond these regular engagements and joint IFC-IEG knowledge and learning sessions,[32] there are three broad areas where IFC will be working with IEG: (i) the XPSR reform; (ii) the MAR reform, and (iii) on country outcome orientation (along with the WB), and IFC's contribution thereof.

IEG FY23-25 Work Program. The thematic evaluation plan suggested by IEG appears to remain broadly relevant for IFC. This will be discussed at the Board meeting in April. Due to a number of delayed FY21 evaluations, there is a risk of heavy bunching in FY22Q4. IFC is seeking to postpone some of the FY22 reviews to FY23, and accordingly, some of the FY23 reviews to FY24. The plan contains a number of IFC-only evaluations, for example, "IFC's Country Diagnostics and Strategies under IFC 3.0", whose focus has changed to include only country-level products and to exclude Sector Deep Dives from the assessment, "IFC's Additionality in MICs", "IFC global platforms and frameworks", "IFC/MIGA sustainability framework", "IFC asset allocation decision framework, incl. portfolio approach", "IFC upstream, investment and advisory services strategic deployment" as well as the evaluation of AIMM. Further, "WBG Cascade" assessment has been programmed for FY23 as part of the "Catalyzation of Private Finance" evaluation.

[30] IEG, 2021. *Results and Performance of the World Bank Group 2021*.

[31] IEG Staff calculations. IS result is based on IEG review of the FY19 XPSRs, AS result is the IEG review of the FY19 PCR sample.

[32] Recent IFC-IEG learning engagements include IFC INR sector highlights (with a deep dive analysis on climate change projects), and lessons of experience from credit bureau AS portfolio.