

Partners in Development



IFC helped Madagascar launch a modern tagging and online identification system to combat zebu theft, transform the cattle industry and increase herders' income in the country.
Photo: Dujardin Delacour & Cie

In Morocco, Casablanca's tramway system is expanding with support from a \$100 million IFC financing package and advisory support from Japan.
Photo: Leonid Andronov/Shutterstock.com



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Creating Markets, Creating Opportunities

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

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

Together, IFC and Japan engage on three key levels:

GOVERNMENT AND DFIs

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

PRIVATE SECTOR

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

CAPITAL MARKETS

Japan is a major market for IFC's funding operations, with Japanese retail and institutional investors providing critical capital to IFC and the IFC Asset Management Company.



Putting IFC at the Heart of Development

IFC helped launch the World Bank Group Offshore Wind Development Program, which works with emerging market governments to accelerate the adoption of offshore wind power.
Photo: Marc Studer/Shutterstock.com

IFC by the Numbers

More than
\$368
billion
invested since our founding
in 1956

\$64.1
billion
committed global investment
portfolio as of end FY21

\$23.2
billion
long-term financing in FY22,
of which \$10.6 billion mobilized
from other partners

102
offices in 95 countries

Around
4,300
staff globally

About
2,000
private sector clients

IFC creates opportunities to deliver investments with high development impact. In fiscal year 2022, we invested \$32.8 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity.

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

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

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

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



Japanese parliamentarians discussed IFC activities with IFC Managing Director Makhtar Diop in June 2021

Japan joined IFC as a founding member in 1956, and over the years it has evolved from an aid recipient, to donor, to financier providing essential support to IFC. Japan's partnership has been crucial in IFC's work to create markets and opportunities that help countries mobilize private sector solutions and finance to solve development challenges.

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

The Power of Partnership

DFI Collaboration

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

The Japan International Cooperation Agency (JICA) is a key DFI partner for IFC. JICA delivers technical cooperation, ODA loans, and grant aid to developing countries. It also offers concessional private sector loans and equity investments for eligible projects with Japanese interests or significant development impact. In 2017, IFC and JICA signed a Memorandum of Cooperation, and by March 2022, the aggregate amount of co-financing with JICA had reached \$1.64 billion, surpassing the target of \$1.5 billion agreed by the parties.

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

Nippon Export and Investment Insurance (NEXI), the official export credit agency of Japan, is a third key DFI partner for IFC. In 2020, IFC and NEXI also signed a Memorandum of Understanding to jointly advance private-sector-led development in poor and fragile countries. The MOU enables IFC and NEXI to explore opportunities to jointly support economic and social development in common regions of operation.



Dr. Rania Al-Mashat, Minister of International Cooperation, Arab Republic of Egypt, speaks with IFC Managing Director Makhtar Diop at the event "Transitioning Economies, Transforming Climate: Financing Climate Action for a Green and Inclusive Future" at the 2022 Spring Meetings of the World Bank Group and International Monetary Fund. Photo: Ian Foulk/World Bank



IFC Headquarters in Washington, DC. Photo: Joseph Rebello/IFC



Investments with High Development Impact

1 Cambodia*

IFC, JICA, and partners arranged a financing package for a solar power developer Prime Road Alternative (Cambodia) Co. IFC's first solar power project in Cambodia is expected to help lower electricity rates in Cambodia.

2 Vietnam*

IFC provided a \$30 million loan, including climate-related concessional financing, to support the construction of a modern waste-to-energy plant by T&J Green Energy Company Limited, a joint venture between JFE Engineering Corporation and Thuan Thanh Environment JSC, a local recycling company in Bac Ninh Province, Vietnam.

3 Indonesia

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

4 Serbia*

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

5 Africa

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

6 Mexico*

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

7 Morocco

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

8 Southeast Asia (Malaysia)

IFC and Mitsui & Co. (Asia Pacific) Pte. Ltd., a subsidiary of Mitsui & Co. jointly invested \$60 million through a third-party allotment in MiCare Sdn Bhd, a leading medical-claims administrator in Southeast Asia.

9 Iraq*

IFC arranged a \$360 million loan to Basrah Gas Company, a joint venture between an Iraqi State-owned South Gas Company, Shell and Mitsubishi Corporation, for a gas flaring reduction project. The financing package comprises loans from IFC's own-account and co-lending program, as well as a syndicated loan by 8 international banks, including SMBC.

10 Argentina*

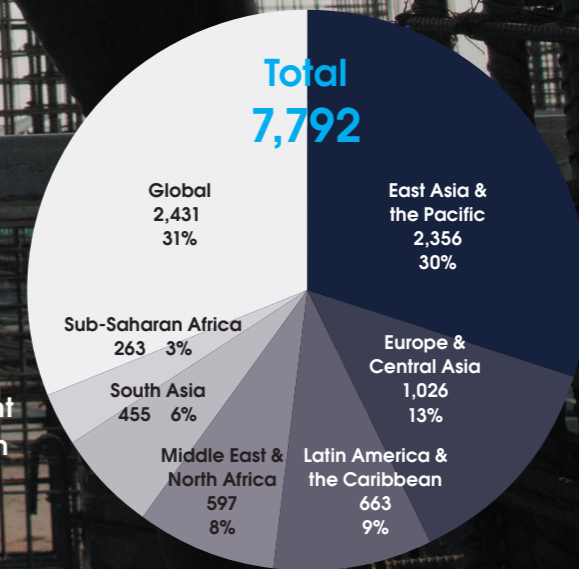
IFC provided a \$80 million corporate loan to NSG UK Enterprises, a wholly owned subsidiary of Nippon Sheet Glass Co., to support its expansion of operations through the construction of a new climate-friendly float glass production line.

11 Colombia

IFC and JICA arranged a loan to a Colombian regional bank Banco Davivienda S.A., to improve financial access for women-owned micro, small and medium-sized businesses in Colombia.

*Climate change-related

IFC has been a co-investment partner with Japanese companies for over 20 years. Since 1997, IFC has partnered with Japanese companies on more than 100 projects with a total committed portfolio of around \$8 billion.



IFC Long-Term Investment Commitments, by Region with Japanese Sponsors (\$Million, for IFC's own account as of end FY22)

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



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

A Pioneering PPP in Serbia

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

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

After a two-year bidding process, a special purpose corporation led by Itochu and Suez S.A. of France was

contracted in 2017 to deliver the PPP, pledging €300 million of new investment in waste infrastructure. Two years later, it received financing from IFC, the European Bank for Reconstruction and Development, and the Austrian Development Bank, allowing construction to begin in October 2019.

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

Strategy in Action

An Innovative Transaction in Morocco

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

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

The loan was supported by an Advisory Services program funded by the Comprehensive Japan Trust Fund that provides technical expertise on road maintenance, as well as on environmental and social governance for quality infrastructure projects. Japan is now supporting IFC to scale this work to the Moroccan Region of Fes-Meknes, where IFC is assisting the region with a similar road maintenance strategy and environmental and social-related activities.

Funding Solar Power in Mexico

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

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



A new waste-to-energy plant under construction at the Vinča landfill in Serbia. The project, scheduled to be completed in 2022, is being delivered under a long-term public-private partnership. Photo: courtesy of ITOCHU.



Investing for Impact through IFC's Funding Program

IFC raises funds in international capital markets for private sector lending and to safeguard IFC's triple-A credit ratings by ensuring adequate liquidity. Issuances include benchmark bonds in core currencies, thematic issuances to support strategic priorities such as climate change, and issuances in emerging-market currencies to support the development of capital markets.

In fiscal year 2022, IFC raised \$9.1 billion from 158 trades across 27 currencies. Japan has been a critical market for IFC funding activities, consistently representing about 10% of IFC's total issuance which include public, private, and Uridashi bonds.

The launch of the Sustainable Development Goals has brought the world together on a mission to end poverty, fight inequality, and tackle climate change. A growing number of investors has begun to embed environmental, social, and governance (ESG) standards into their investment decisions. A subset of IFC's

loan portfolio is funded through our Social Bond Program, which finances projects that aim to alleviate social issues, and our Green Bond Program, which finances climate-friendly projects.

Our goal is to continually provide much-needed liquidity to the nascent sustainable bond market. In light of COVID-19 and the social challenges borne from coronavirus, social bonds are now front and center of the thematic bond market, and demand is higher than ever. In FY20, IFC issued an AUD 200 million social bond placed exclusively with Nippon Life Insurance, while Sumitomo Life Insurance invested in an AUD 100 million social bond from IFC.

Moreover, IFC was one of the earliest issuers of green bonds. Since we began our program in 2010, we have helped catalyze the market and unlock capital from the private sector to fund climate-smart projects. In 2020, IFC passed the \$10 billion mark for our cumulative

green bond issuance project after a historic trade with Japan's Government Pension Investment Fund.

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

Created in 2009, AMC provides leading institutional investors with unique access to IFC's emerging-markets investment pipeline, while also expanding the supply of long-term capital to these markets. AMC enhances IFC's development impact and generates profits for investors by leveraging IFC's global platform and investment standards. As of June 2021, AMC had raised \$10.1 billion across 12 funds. AMC is also developing new co-investment vehicles to restore equity capital flows to emerging markets in the post-COVID-recovery.

IFC's value proposition for investors

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

IFC's strong financial fundamentals

- IFC has one of the lowest ratios of debt to net worth of any supranational
- IFC's growth is financed predominantly by retained earnings
- Duration of funding matches maturity of IFC's loan portfolio
- IFC's equity investments are funded by its net worth

Careers with Impact

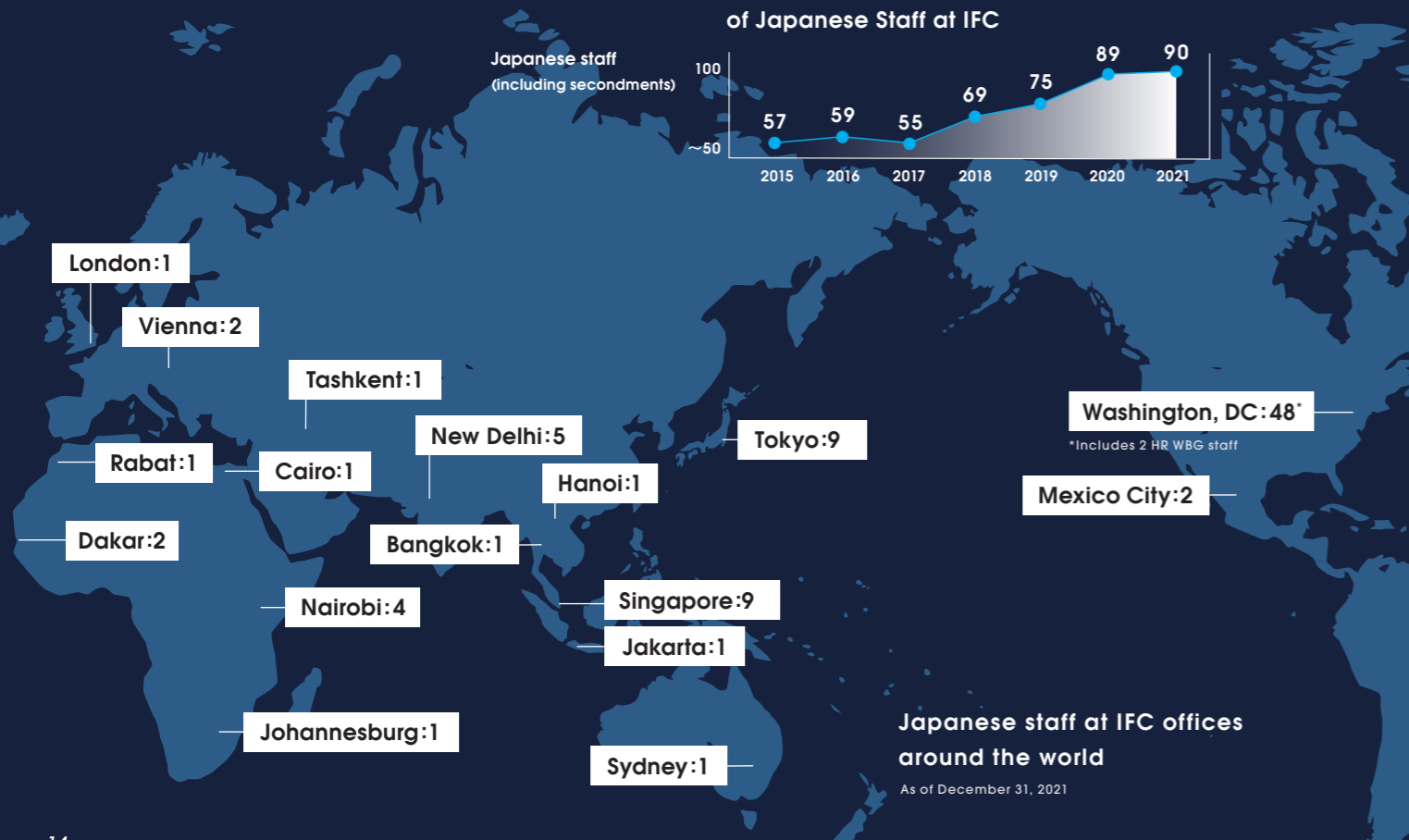
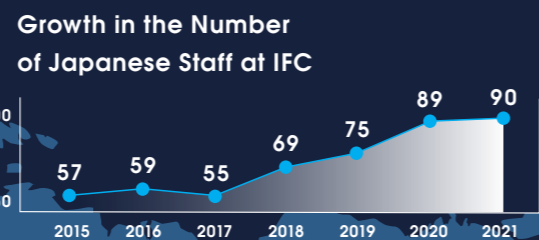
At IFC, staff are our most important asset, bringing innovative solutions with impact and global best practices to our clients worldwide. Their knowledge, skills, diversity, and motivation are key to our comparative advantage.

Around 100 Japanese nationals work at IFC. Located at IFC offices across the globe and working in such fields as investment, finance, risk, operations, and economics, Japanese staff are instrumental in helping IFC deliver on our mission of creating markets and opportunities in developing countries.

In fiscal year 2020, nine Japanese staff were recognized with IFC corporate awards for their excellent

contributions to our mission. The projects for which they received awards included the Low-Income IDA and FCS Countries Catalyzing Private Investment in Agriculture in Ethiopia Project, the IDA/FCS Global Trade Finance Program, the Mazar Independent Power Project, and the India NBFC Insurance Facility.

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

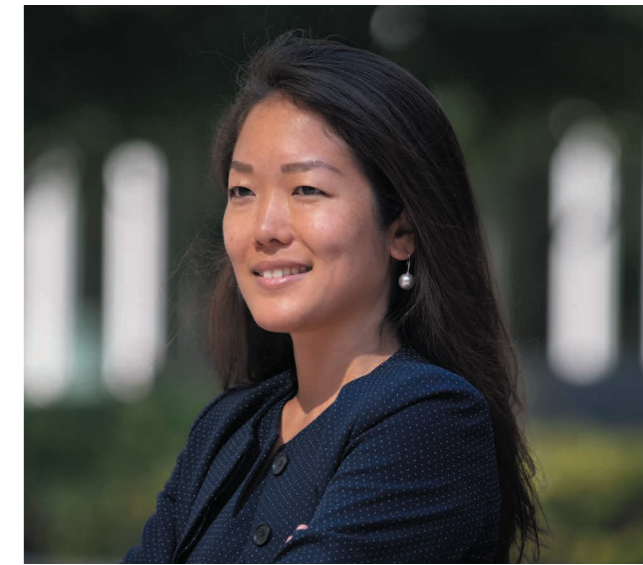


Masato Motoki

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

Chiemi Nakano

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



Aya Imai

joined IFC's Financial Institutions Group in 2019 after working in management consulting and M&A advisory in the private sector. As an Associate Investment Officer based in IFC's Dakar office, she is involved in new investments and the management of existing investments in the West and Central Africa region. Most recently, her team has been working on equity and debt investments to fintech startups, as well as risk-sharing facilities to commercial banks with high potential to offer greater access to finance to small and medium-sized enterprises, women entrepreneurs, and agricultural cooperatives. Aya believes IFC provides a positive atmosphere in which anyone's knowledge and expertise can be shared openly regardless of one's position.

Jun Nitta

joined IFC's Asset Management Company (AMC) after working for a financial institution. He is the head of several private equity funds managed by AMC that focus on the financial services sector, including commercial banks, insurance companies, and fintech in emerging markets. Since 2015, he has been working in AMC's Singapore office, where he is involved in sourcing, structuring, and post-investment value creation of private equity investments, mainly in Asia. He finds this aspect of his job very attractive because he can contribute to the economic development of emerging countries.





With IFC's support, nearly 500 schools across the West Bank will install solar arrays, making it easier for these girls in Jericho to study year-round.
Photo: Frederic Courbet/Panos

Creating the Conditions for Private Sector Investment

Achieving the Sustainable Development Goals will require up to \$4 trillion a year—far more than donor countries can provide through official development assistance, and far more than debt-burdened developing countries can finance from their own public-sector resources. It is essential, therefore, to mobilize private capital at a far greater scale, and in a much wider set of countries than ever before.

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

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

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

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

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

IFC creates opportunities to deliver investments with high impact that solve countries' development challenges. This requires IFC to go in early and collaborate proactively with World Bank and MIGA colleagues to create opportunities for new investment. Since there are not enough bankable projects addressing development priorities, our approach is to create them—not only projects, but markets as well. We have taken this approach before, but never at such scale and ambition as now, in all regions and all industries. We call this approach working Upstream.

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

Photo: Shutterstock

IFC Ambitions for 2030



Driving Momentum on Impact Investing

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

In April 2019, a group of 60 global investors signed on to the Operating Principles, an important step in mobilizing the private sector for development finance. JICA signed the Principles later that year, becoming the first Japanese entity to do so.

The signatories, which number 160 as of June 2022, are working to align impact measurement systems into a common core of metrics that will improve the ability of investors to compare impact performance across funds and institutions. Signatories must annually disclose the alignment of their impact management systems with the Operating Principles and pursue regular independent verification.

IFC supported the development of the Tafila Wind Farm, a pioneering renewable power project in Jordan, to diversify the country's energy supplies.
Photo: Dominic Chavez/IFC

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

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

IFC's \$8 Billion Pandemic Response Package

\$2 billion Real Sector Crisis Response Facility

\$2 billion Global Trade Finance Program

\$2 billion Working Capital Solutions Program

\$2 billion Global Trade Liquidity Program & Critical Commodities Finance Program

Photo: Shutterstock

Food and energy crises, supply chain disruption, rising inflation and growing concerns over indebtedness and financial markets have emerged as new threats to emerging countries, in addition to the pandemic and climate change. To respond to these crises, IFC is working closely with the World Bank and MIGA to take fast, decisive and robust actions.

Moving towards Recovery

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

In February 2021, IFC announced a \$400 million Base of the Pyramid Program (BoP) to support viable small businesses that have been hardest hit by the pandemic. Through the BoP, IFC will target microfinance institutions, non-bank financial institutions, and banks that are focused on micro, small, and medium-sized enterprises. And, unlike the original fast-track financing, the BoP is open to both new and existing IFC clients.